

Government that Works!

NEW JERSEY DEPARTMENT OF THE TREASURY

LOCAL GOVERNMENT BUDGET REVIEW

CITY OF CAPE MAY

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GOVERNMENT THAT WORKS

OPPORTUNITIES FOR CHANGE

The Report of the City of Cape May

New Jerseyans deserve the best government their tax dollars can provide. Governor Whitman is committed to making state government leaner, smarter and more responsive by bringing a common sense approach to the way government does business. It means taxpayers should get a dollar's worth of service for every dollar they send to government, whether it goes to Trenton, their local town hall or school board. Government on all levels must stop thinking that money is the solution to their problems and start examining how they spend the money they now have. It is time for government to do something different.

Of major concern is the rising cost of local government. There is no doubt that local government costs and the property taxes that pay for them have been rising steadily over the past decade. Prior to Governor Whitman's taking office in 1994, the state had never worked as closely with towns to examine what is behind those costs. That is why she created the Local Government Budget Review (LGBR) program. Its mission is simple: to help local governments and school boards find savings and efficiencies without compromising the delivery of services to the public.

The LGBR program utilizes an innovative approach combining the expertise of professionals, primarily from the Departments of Treasury, Community Affairs and Education, with team leaders who are experienced local government managers. In effect, it gives local governments a comprehensive management review and consulting service by the state at no cost to them. To find those "cost drivers" in local government, teams review all aspects of local government operation, looking for ways to improve efficiency and reduce costs.

In addition, teams also document those state regulations and mandates which place burdens on local governments without value-added benefits and suggest, on behalf of local officials, which ones should be modified or eliminated. Teams also look for "best practices" and innovative ideas that deserve recognition and that other communities may want to emulate.

Based upon the dramatic success of the program and the number of requests for review services, in July, 1997, Governor Whitman ordered the expansion of the program, tripling its number of teams in an effort to reach more communities and school districts. The ultimate goal is to provide assistance to local government that results in meaningful property tax relief to the citizens of New Jersey.

THE REVIEW PROCESS

In order for a town, county or school district to participate in the Local Government Budget Review program, a majority of the elected officials must request the help of the review team through a resolution. There is a practical reason for this: to participate, the governing body must agree to make all personnel and records available to the review team, and agree to an open public presentation and discussion of the review team's findings and recommendations.

As part of each review, team members interview each elected official, as well as employees, appointees, members of the public, contractors and any other appropriate individuals. The review teams examine current collective bargaining agreements, audit reports, public offering statements, annual financial statements, the municipal code and independent reports and recommendations previously developed for the governmental entities, and other relative information. The review team physically visits and observes the work procedures and operations throughout the governmental entity to observe employees in the performance of their duties.

In general, the review team received full cooperation and assistance of all employees and elected officials. That cooperation and assistance was testament to the willingness, on the part of most, to embrace recommendations for change. Those officials and employees who remain skeptical of the need for change or improvement will present a significant challenge for those committed to embracing the recommendations outlined in this report.

Where possible, the potential financial impact of an issue or recommendation is provided in this report. The recommendations do not all have a direct or immediate impact on the budget or the tax rate. In particular, the productivity enhancement values identified in this report do not necessarily reflect actual cash dollars to the municipality, but do represent the cost of the entity's current operations and an opportunity to define the value of improving upon such operations. The estimates have been developed in an effort to provide the entity an indication of the potential magnitude of each issue and the savings, productivity enhancement, or cost to the community. We recognize that all of these recommendations cannot be accomplished immediately and that some of the savings will occur only in the first year. Many of these suggestions will require negotiations through the collective bargaining process. We believe, however, that these estimates are conservative and achievable.

**LOCAL GOVERNMENT BUDGET REVIEW
EXECUTIVE SUMMARY
CITY OF CAPE MAY**

Cash Management

The team recommends that the city pay for their banking fees directly for a revenue enhancement of \$19,214.

Leases

The city could yield a revenue enhancement of \$32,000 by identifying an “in-lieu-of” tax payment to be included as additional rent in retail leases.

Management Information Systems

By restricting the use of special communication features, the city could save \$536.

Health Insurance

The team recommends that the city switch to the State’s Health Benefits Plan (SHBP), saving \$240,000 from projected costs of its current plan and the cafeteria plan. **OR** Implement the various changes to the plan design to reduce its costs, saving \$181,000.

Police

By renegotiating the scheduling provision of the police contract to permanently assign officers to shifts instead of the current rotating system, the city could potentially save \$52,939 in overtime.

The team recommends the court prepare criminal disposition reports during normal business hours for a productivity enhancement of \$4,790.

The city should consider adopting a towing ordinance for a revenue enhancement of \$1,600. The city could yield an additional revenue enhancement of \$4,000 by charging a small one-time nominal fee to connect, disconnect and register alarms.

Court

By renegotiating a new compensation policy for “call backs,” the city could potentially save \$1,180.

By converting the two municipal court checking accounts to interest bearing accounts, the city could yield a revenue enhancement of \$2,400.

By hiring a retired police officer as a part-time bailiff for all court sessions instead of using a sworn officer, the city could yield a productivity enhancement of \$3,740.

The team recommends that the city integrate a traffic ticket control system, saving \$9,185 from the elimination of the data entry function and related salaries.

Public Defender

The team recommends that the governing body amend the ordinance, which stipulates the application fee for representation by the public defender for a revenue enhancement of \$6,235.

Prosecutor

By issuing a Request for Proposal (RFP) for the professional services of the prosecutor, the city could save \$10,000.

Fire

By transferring the fire subcode inspection function, the city could save \$41,896.

Emergency Management

The team recommends that the city purchase an auto dialer to assist in notifying residents in flood prone areas at a one-time expense of \$5,000. The team also recommends that the city purchase a standard fax machine that is capable of handling large amount of fax numbers pre-programmed so that timely storm advisories could be sent to internal and external parties at a one-time expense of \$350.

Public Works

The team recommends that the existing recycling coordinator position be upgraded to supervisor of seasonal operations at an expense of \$6,000. The team also recommends that the city increase the hourly wage for part-time and seasonal employees to make the positions more competitive at an expense of \$138,000.

By eliminating one equipment operator's position in addition to the reassignment of the mechanics and laborers, the city could save \$37,000.

The team recommends that the city eliminate two carpenters and three full-time laborer positions, saving \$155,000. The assignment of part-time and seasonal workers to assist the full-time employees will provide the appropriate manpower.

By reassigning one full-time laborer and one seasonal employee to the city hall and pedestrian mall, the city could save \$11,300.

The team recommends that the city use seasonal and part-time employees for the trash and recycling operations, saving \$5,773.

The team recommends that the convenience center be eliminated and residents be encouraged to use the weekly curbside pick-up for the recycling goods, saving \$33,178.

It is recommended that the city continue with its aggressive efforts to monitor sick leave. By reaching the public benchmark 6.5 days, the city could yield a productivity enhancement of \$12,657.

Parking Meters

By reassigning two traffic maintenance workers to other tasks for the balance of the workweek (i.e., lawn maintenance), the city could yield a productivity enhancement of \$35,000. The city would save an additional \$12,000 through the termination of the lawn maintenance contract.

By extending the parking meter operation, revising the hours of operation, raising the rates, and using the poles for advertising, the city could yield a revenue enhancement of \$195,000. The city could yield an additional revenue enhancement of \$110,000, by extending the parking meter operation to the east section of Beach Drive and adjacent streets.

The team recommends that the city use public works employees (instead of private vendors), for the ground maintenance to public property, saving \$12,089 minus the \$5,500 cost of equipment.

Due to the excess number of vehicles parked in the streets, the team recommends that the city reduce the street sweeping operation to part-time, saving \$20,000.

Fleet Maintenance

The team recommends that the city purchase a fleet maintenance system at a one-time expense of \$10,000, while yielding an annual productivity enhancement of \$13,500.

The team recommends that the city purchase the outlined tools and equipment at a one-time expense of \$18,000 to help enhance productivity in the garage. The team also recommends that the city improve the facility; e.g., install an additional garage door, add custom cabinets, lower light fixtures, and add safety features, at a one-time expense of \$11,900.

The city should consider purchasing oil and transmission fluids in bulk, saving \$1,480.

Licensing/Code Enforcement

The team recommends that the city update its fee schedule to cover the cost of UCC expenses, saving \$39,421.

Beach Patrol

The team recommends that the city purchase appropriate signs alerting bathers to hazardous surf conditions at a one-time expense of \$5,000.

The team endorses the recommendation of the beach patrol captain to extend the beachfront public address system at an expense of \$3,500.

The team also recommends that the city replace the existing beach patrol communication system at a one-time expense of \$5,000. The team further recommends that the city purchase an Automatic External Defibrillator (AED) for the beach patrol at an additional one-time expense of \$3,500.

The city should also consider replacing existing lifeguard stands at a one-time expense of \$5,000.

Beach Tag Operation

The city should consider numbering beach tags in order to achieve a greater degree of internal control, at an expense of \$1,000.

The team also recommends that the city purchase a new communication system for the beach tag operation at a one-time expense of \$3,000.

The team recommends that the beach tag operation relocate to a new location around the Convention Hall. During the interim, the team recommends the city rent a mobile office trailer at a one-time expense of \$11,000. It is further recommended that the city purchase needed office furniture and equipment, and a suitable computer system at an additional one-time expense of \$4,500.

Nursing

The city should consider contacting the county to establish a screening service in Cape May as part of the county's ongoing health services, saving \$7,222.

Welfare

The team recommends that the city transfer the welfare function to the county, saving \$6,297.

Collective Bargaining Issues

By renegotiating the provision regarding overtime for public works employees to ensure that overtime rates correspond to the skill level required and hiring seasonal employees to work on weekends, the city could potentially save \$41,555.

By renegotiating to reduce the number of allocated sick leave hours for fire employees, the city could potentially save \$66,048.

The team recommends that the city eliminate the terminal leave provisions, potentially saving \$20,000.

**COMPARISON OF BUDGET APPROPRIATION, STATE AID
AND LOCAL TAX RATE WITH RECOMMENDED REDUCTIONS IN
THE CITY OF CAPE MAY**

<u>Areas Involving Monetary Savings</u>	<u>One-time Savings/ Expense</u>	<u>Annual Savings/ Expense</u>	<u>*Potential Savings</u>	<u>Totals</u>
Cash Management				
Pay for banking fees directly		\$19,214		\$19,214
Leases				
Include "in-lieu-of" tax payment in rent for retail leases		\$32,000		\$32,000
Management Information Systems				
Restrict special communication features		\$536		\$536
Health Insurance				
Switch to State Health Benefits Plan		\$240,000		
OR Implement plan redesign listed below				
Institute co-pay for doctor's office visits		\$22,400		
Institute emergency room co-pay of \$50 to \$100		\$11,200		
Implement a co-insurance charge for ambulatory surgery		\$22,400		
Change the plans deductible levels		\$27,100		
Change co-payment requirements to 30%		\$15,800		
Change co-payment caps		\$18,100		
Benchmark managed care plan and charge difference		\$64,000		\$181,000
Police				
Renegotiate scheduling provision to permanently assign officers			\$52,939	
Prepare criminal disposition reports during normal business hours		\$4,790		
Adopt a towing ordinance		\$1,600		
Charge fee to connect, disconnect & register alarms		\$4,000		\$10,390
Court				
Negotiate new compensation policy for "call backs"			\$1,810	
Convert two checking accounts to interest bearing accounts		\$2,400		
Hire retired police officer as part-time bailiff		\$3,740		
Integrate a traffic ticket control system		\$9,185		\$15,325

**COMPARISON OF BUDGET APPROPRIATION, STATE AID
AND LOCAL TAX RATE WITH RECOMMENDED REDUCTIONS IN
THE CITY OF CAPE MAY**

<u>Areas Involving Monetary Savings</u>	<u>One-time Savings/ Expense</u>	<u>Annual Savings/ Expense</u>	<u>*Potential Savings</u>	<u>Totals</u>
Public Defender				
Amend ordinance and increase application fee		\$6,235		\$6,235
Prosecutor				
Issue RFP for the professional services of the prosecutor		\$10,000		\$10,000
Fire				
Transfer fire subcode inspection function		\$41,896		\$41,896
Emergency Management				
Purchase an auto dialer	(\$5,000)			
Purchase an standard fax machine	(\$350)			(\$5,350)
Public Works				
Upgrade recycling coordinator position		(\$6,000)		
Increase hourly wage for part-time and seasonal employees		(\$138,000)		
Eliminate one equipment operator's position		\$37,000		
Eliminate two carpenters & three full-time laborers		\$155,000		
Reassign one full-time laborer & one seasonal employee to city hall		\$11,300		
Use seasonal & part-time employees for trash & recycling operations		\$5,773		
Eliminate convenience center		\$33,178		
Monitor sick leave to reach public benchmark of 6.5 days		\$12,657		\$110,908
Parking Meters				
Reassign two traffic maintenance workers to other tasks		\$35,000		
Terminate lawn maintenance contract through reassignment		\$12,000		
Extend parking meter operation to 12 months		\$32,500		
Revise hours during the extended operation		\$32,500		
Increase parking meter rates		\$65,000		
Use poles on meters for commercial advertising		\$65,000		
Extend parking meter operation to east section of Beach Drive		\$110,000		

**COMPARISON OF BUDGET APPROPRIATION, STATE AID
AND LOCAL TAX RATE WITH RECOMMENDED REDUCTIONS IN
THE CITY OF CAPE MAY**

<u>Areas Involving Monetary Savings</u>	<u>One-time Savings/ Expense</u>	<u>Annual Savings/ Expense</u>	<u>*Potential Savings</u>	<u>Totals</u>
Use public works employees for ground maintenance		\$6,589		
Reduce street sweeping operation to part-time		\$20,000		
				\$378,589
Fleet Maintenance				
Purchase a fleet maintenance system	(\$10,000)			
Productivity enhancement from purchase of system		\$13,500		
Purchase tools and equipment for garage	(\$18,000)			
Install an additional garage door	(\$4,000)			
Construct custom cabinet	(\$200)			
Lower lighting fixtures and refurbish units	(\$1,000)			
Improve safety features	(\$6,700)			
Purchase oil and transmission fluids in bulk		\$1,480		
				(\$24,920)
Licensing/Code Enforcement				
Update fee schedule to cover cost of UCC expenses		\$39,421		
				\$39,421
Beach Patrol				
Purchase appropriate warning signs	(\$5,000)			
Extend beachfront public address system		(\$3,500)		
Replace existing beach patrol communication system	(\$5,000)			
Purchase one Automatic External Defibrillator (AED)	(\$3,500)			
Replace existing lifeguard stands	(\$5,000)			
				(\$22,000)
Beach Tag Operation				
Number beach tags		(\$1,000)		
Purchase new communication system	(\$3,000)			
Rent mobile office trailer for relocation of beach tag operation	(\$11,000)			
Purchase office furniture and equipment	(\$2,000)			
Develop a suitable computer system	(\$2,500)			
				(\$19,500)
Nursing				
Contact county to establish a screening service		\$7,222		

**COMPARISON OF BUDGET APPROPRIATION, STATE AID
AND LOCAL TAX RATE WITH RECOMMENDED REDUCTIONS IN
THE CITY OF CAPE MAY**

<u>Areas Involving Monetary Savings</u>	<u>One-time Savings/ Expense</u>	<u>Annual Savings/ Expense</u>	<u>*Potential Savings</u>	<u>Totals</u>
				\$7,222
Welfare				
Transfer welfare function to the county		\$6,297		
				\$6,297
Collective Bargaining Issues				
Renegotiate overtime provision for public works employees			\$41,555	
Renegotiate to reduce number of sick hours for fire employees			\$66,048	
Eliminate terminal leave provisions			\$20,000	
Total Recommended Savings	(\$82,250)	\$1,109,513	\$182,352	\$787,263
*\$182,352 not included in savings of \$1,027,263.				
Total Amount Raised for Municipal Tax				\$4,466,638
Savings as a % of Local Purpose Tax Levy				18%
Total Budget				\$9,778,730
Savings as a % of Budget				8%
Total State Aid				\$447,414
Savings as a % of State Aid				176%

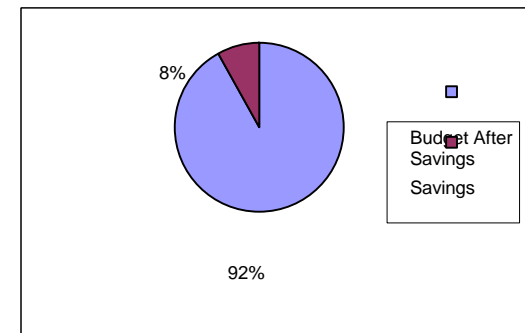
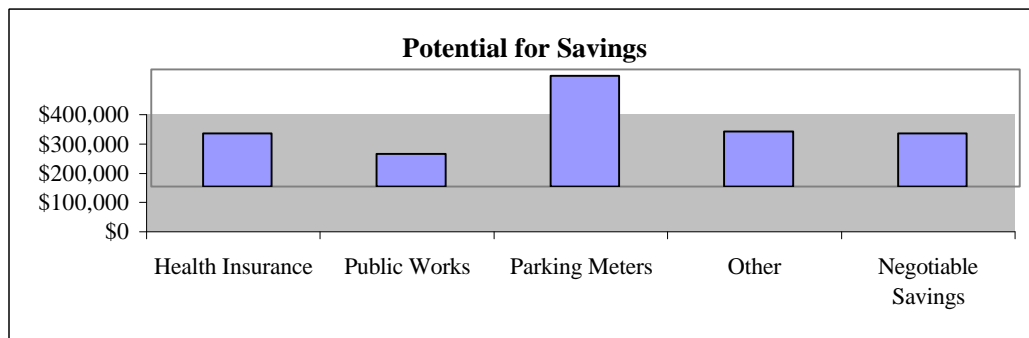


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COMMUNITY OVERVIEW

The City of Cape May is situated at the southern tip of New Jersey in Cape May County where the Atlantic Ocean meets the Delaware Bay. It is the nation's oldest seashore resort. Cape May, settled by the Dutch in 1623 and later colonized by English Pilgrims, was the premier Atlantic Ocean resort of the 19th Century. Following the "Great Fire of 1878" which destroyed half of the town, the city was rebuilt in the Victorian architecture popular in that era. Consequently, the city has the largest concentration of authentic Victorian structures in America. The National Park Service has designated the entire city as a "National Historic Landmark".

The Small Cities form of government, which elects a five-member city council, governs the city. Council serves three-year terms and selects one of its members as mayor. The mayor is chief executive of the city, responsible for personnel, enforcement of ordinances, and overall administration.

The city's population in 1990 as recorded by the U.S. Census for permanent year-round residents and the Cape May County Planning Board for seasonal residents was 4,668 and 30,000 respectively.

The city comprises 1,436 acres of land, of which approximately half (50%) is publicly owned, primarily by the United States Coast Guard and the city in the form of beaches, parks, and other public facilities. Vacant land, which is classified as wetlands and environmentally sensitive areas, accounts for 7%. Residential land use, mostly single-family homes, covers 30%. The remaining 13% of land use in Cape May is non-residential. This consists of hotels, motels, restaurants, bed and breakfast inns, retail stores, apartments, parking and other commercial uses.

The city has a three-mile beachfront on the Atlantic Ocean and is bounded on the northeast by Cape May Harbor and on the northwest by Cape Island Creek. Together with neighboring municipalities West Cape May, Cape May Point and portions of Lower Township, Cape May is part of New Jersey's southernmost island. The Cape May Canal constructed during World War II for national defense purposes, separates Cape Island from the mainland of New Jersey.

Tourism, commercial fishing, and coast guard activities are the three primary sources providing economic stability in the community. Cape May has become a popular year-round resort for visitors, in addition to the traditionally strong four-month summer season, and has maintained a stable residential population. The coast guard is the largest single employer in the city with over 1,200 employees.

I. BEST PRACTICES

A very important part of the Local Government Budget Review report is the Best Practices section. During the course of every review, each review team identifies procedures, programs and practices, which are noteworthy and deserving of recognition. Best practices are presented to encourage replication in communities and schools throughout the state. By implementing these practices, municipalities and school districts can benefit from the Local Government Budget Review process and possibly save considerable expense on their own.

Just as we are not able to identify every area of potential cost savings, the review team cannot cite every cost-effective effort. The following are those best practices recognized for cost and/or service delivery effectiveness.

Beach Patrol

The city's beach patrol has received national recognition for its efforts to provide high quality services. The United States Lifesaving Association (USLA) has designated the city as one of only seven certified beach patrols in the State of New Jersey. This certification indicates that the city meets USLA standards for beach safety and ocean rescue operations.

In addition to USLA certification, the beach patrol operates a junior lifeguard program for children aged nine to 15. Over 100 individuals participated in the program in 1999. The program teaches beach safety, physical fitness and teamwork. The city also benefits from this program by creating a pool of trained personnel for future employment as lifeguards for the beach patrol.

The city's beachfront received further recognition for its selection as one of the top ten urban beaches by the Surfrider Foundation. The city was the only east-coast resort to receive this designation. The criteria for this award is based on the physical characteristics of the city's surf conditions and the level of services offered by the city's beachfront operations.

II. OPPORTUNITIES FOR CHANGE/FINDINGS AND RECOMMENDATIONS

The purpose of this section of the review report is to identify opportunities for change and to make recommendations that will result in more efficient operations and financial savings to the municipality and its taxpayers.

In its study, the review team found the municipality makes a conscious effort to control costs and to explore areas of cost saving efficiencies in its operations. Some of these are identified in the Best Practices section of this report. Others will be noted as appropriate in the findings to follow. The municipality is to be commended for its efforts. The review team did find areas where additional savings could be generated and has made recommendations for change that will result in reduced costs or increased revenue.

Where possible, a dollar value has been assigned to each recommendation to provide a measure of importance or magnitude to illustrate cost savings. The time it will take to implement each recommendation will vary. It is not possible to expect the total projected savings to be achieved in a short period of time. Nevertheless, the total savings and revenue enhancements should be viewed as an attainable goal. The impact will be reflected in the immediate budget, future budgets, and the tax rate(s). Some recommendations may be subject to collective bargaining considerations and, therefore, may not be implemented until the next round of negotiations. The total savings will lead to a reduction in tax rates resulting from improvements in budgeting, cash management, cost control and revenue enhancement.

ADMINISTRATION OF GOVERNMENT

Governing Body

The city operates under the Small Cities Plan of government. The five-member city council is elected to stagger three-year terms and selects one of its members to serve as a mayor for a term of one year. The mayor is the chief executive of the city and is responsible for personnel, enforcement of ordinances, and daily supervision of the city's operating departments. At the time of the review, governing body members received a salary with no health benefit coverage by the city.

Supporting the mayor is a clerk typist who assists the mayor in a wide variety of tasks including personnel actions, correspondence, and other administrative tasks. Because of the city's resort setting, the mayor is often performing weddings for the many seasonal visitors. Additional administrative support to the mayor and council is provided by the city clerk's office as needed.

Administrator

The team strongly supports the city's recent decision to create an administrator position. During the review, the city passed an ordinance authorizing this position and had formed an ad hoc committee to assist in the recruitment process. After the departure of the review team, the city

appointed an administrator. The team believes the addition of an administrator will greatly enhance the management of the city and produce long-term savings that will greatly exceed the position's cost in salary and benefits.

Although the city has a permanent population of less than 5,000, the team was impressed by the scope of services performed by the city's operating departments. As a resort community, the city provides a wide variety of amenities to support the efforts of its hospitality industry and fulfill the expectations of its residents for high quality services. The team concludes that the city's high activity levels warrant professional management.

In addition to the city's external service focus, the team believes a professional manager would improve many of the city's internal operations. An experienced manager would better coordinate the personnel management function and provide needed continuity during changes in the governing body or mayor's office. Additionally, a professional manager would provide better research support for issues under consideration by the governing body and more effective coordination of municipal staff to implement city policies.

The absence of an administrator appears to have created a greater reliance on highly paid professionals for many activities that could otherwise be performed by staff. The team believes that expenditures for professional services in the city are high. To remedy this matter, an administrator should provide greater oversight and delegate more of these responsibilities to city staff. This matter will be discussed in detail in the professional service section of this report.

Recommendations:

Based on the team's analysis of the city's operations, it is recommended the following functions be the main responsibilities of the new administrator:

- 1. Personnel and labor negotiations;**
- 2. Manage professional services;**
- 3. Capital projects and grantsmanship;**
- 4. Research support for agenda topics of work sessions and regular meetings;**
- 5. Planning and management of seasonal operations;**
- 6. Budget preparation;**
- 7. Purchasing oversight; and**
- 8. Establish an improved relationship between the city and the various professional and civic organizations in the city.**

In addition to the duties listed above, it is also recommended the administrator take an active role in communicating the priorities and policies of the mayor and council to the city's staff. The team believes this intermediary role would enable department heads to focus greater time and effort on their core missions.

City Clerk

The city clerk office performs its statutory functions as well as general administrative duties. The office prepares agendas and minutes for council meetings, maintains archives of the city

public documents and is the registrar of vital statistics. This department also performs licensing, purchasing, and computer support functions for the city. At the time of the review, the city clerk planned to retire and was scheduled to be replaced by the assistant city clerk. To ease the transition, the city hired a certified individual to fill the position of the assistant clerk.

In 1998, staffing for the clerk's office consisted of the city clerk, an assistant city clerk and three full-time and two part-time clerical employees. Additionally, the city's consolidated position of licensing official and purchasing agent is assigned to the clerk's office. In 1998, salaries cost \$250,508, direct benefits \$53,156 and other expenditures \$15,535.

Staffing for the department appears appropriate based on the review of the department's workload and observations of its daily operations. The team feels, however, that this office would also be able to provide administrative support to the newly hired administrator. A detailed review of the purchasing, licensing, and computers functions is presented elsewhere in this report.

Form of Government

The city adopted the Small Cities Plan form of government in 1995. During the team's interviews, many appointed and elected officials expressed reservations about the present form of government. Generally, the commonly held opinion is that the present form of government does not provide sufficient continuity and support for the city's wide ranging missions. Many officials voiced the opinion that although the present form of government may be suitable for small, low activity communities, it is inadequate for the needs of a major resort city.

The team concurs with this assessment. The team's interviews identified several management issues related to the present form of government. These issues have a substantial impact on the ability of the city to effectively manage its operations. The following issues reflect a summary of the concerns voiced by elected and appointed city officials:

1. Management Continuity: The mayor is the chief executive officer of the city and is selected by council every year. Under the present form of government, the mayor is given broad powers in running the city's operations and in personnel matters. With only a year term in office, policy formulation and implementation are often hampered because there is not sufficient time to fully analyze city operations and implement policies. Based on the observations of the team, this lack of continuity appears to result in many departments being managed in a reactive manner. The team noted reluctance on the part of department heads to make certain operational decisions and to take risks with implementing innovative programs.
2. Municipal Reorganization: Upon adopting the Small Cities Plan of government, the city elected to conduct elections in May and municipal reorganization in July. Many officials interviewed by the team expressed concerns over this transition taking place during the summer season when the city's seasonal workforce is fully mobilized. The current scheduling of this process means that an incoming administration must take operational control of a major operation it had no part in planning. Conversely, this incoming

administration will plan a summer operation and may only partially implement it. A reorganization cycle that begins on January 1st would provide an incoming administration with sufficient time to both plan and manage a full season of summer operations.

Recommendations:

It is recommended the city consider forming a charter commission to examine these issues. While the team recognizes that the present form of government was approved by referendum and instituted in 1995, we feel that the present form of government is an inadequate method of governance for the city's complex operations.

The commission would study the present charter and determine what features of other forms of government would strengthen the responsiveness and accountability of government. At the conclusion of the study, the commission would issue a report with recommendations to consider a new form of government or to make improvements to the present form of government.

FINANCE

Overview

The team concludes from its analysis that the city has generally maintained a sound financial position. The city is fortunate to have a very knowledgeable and experienced chief financial officer and tax collector on its staff. The team found both individuals to have an in-depth knowledge of the city's overall financial condition and each greatly assisted the team in completing its review.

The city's valuation in relation to other communities in the region illustrates the uneven distribution of taxable valuation in New Jersey communities. Selecting comparable communities in resort regions is difficult due to the wide range of municipal services and variations in seasonal populations. The table below offers a perspective of the city's relative financial position in the region:

	Equalized Per Capita Valuation	Municipal Budget Per Capita	Equalized General Tax Rate
Avalon	1,032,228	5,716	0.95
Cape May	189,061	1,955	1.49
Cape May Point	694,258	3,858	0.95
Dennis Township	58,189	598	1.74
Lower Township	62,062	717	2.34
Middle Township	52,884	782	2.32
North Wildwood	121,471	2,977	2.52
Ocean City	220,588	2,388	1.70
Sea Isle City	384,359	3,912	1.43
Stone Harbor Borough	1,089,770	7,774	1.04
Upper Township	69,602	700	1.48
West Cape May	105,418	1,315	1.77
West Wildwood Borough	114,190	2,618	1.93
Wildwood City	113,112	3,737	3.20
Wildwood Crest Borough	217,956	3,693	1.93
Woodbine	19,652	540	1.93
Cape May County Average	138,476	2,705	1.80

Source: 1998 Cape May County Abstract of Ratables and 1997 New Jersey Legislative Data Book

Budgeting Practices

The budget is the spending plan for the municipality and the audit is the retrospective measure of the city's execution of the budget and verification of its various account balances. The team used these documents to determine the financial strengths and weaknesses of the city. The following sections provide an assessment of the city's financial position.

Expenditures: The team reviewed municipal budgets for the period 1995-1998 to discern general financial trends. During this period, the budget increased by a total of \$1,487,463 at an average annual rate of 4.88% while the Consumer Price Index (CPI) increased at an annual rate of 2.27%. The team examined major categories of expenditures that accounted for the largest portions of the increase. The following budget line items accounted for more than half of the increase in the budget.

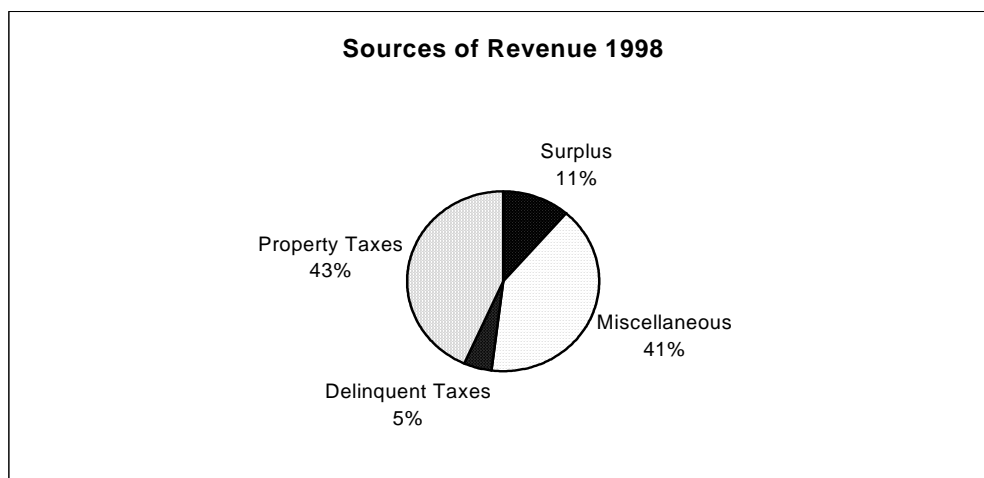
Budget Category	Annual Average Percentage Increase (1995-1998)	Increase in Expenditure (1995-1998)
Debt Service	7.28%	\$318,786
Police/Fire Pension	22.61%	\$72,369
Beach Tag Program	38.02%	\$77,791
Police Salary and Wages	5.76%	\$193,780
Fire Salary and Wages	6.10%	\$110,506
Total		\$773,232

The increases in the above categories of expenditures were at a rate considerably higher than the rate of inflation during this period. The rate of expenditure increase during this period also

exceeded the increase in value for the city's ratable base. When this situation occurs, the city must raise additional revenue or reduce other categories of expenditures to avoid an increase in the tax rate.

Revenues: In 1998, the city realized \$10,654,964 in revenue for current fund operations. Property taxes comprised the largest single revenue source and miscellaneous revenues also provided a significant share of the budget. Given the fact that the city is almost fully developed, significant revenue increases will probably not be realized through ratable growth.

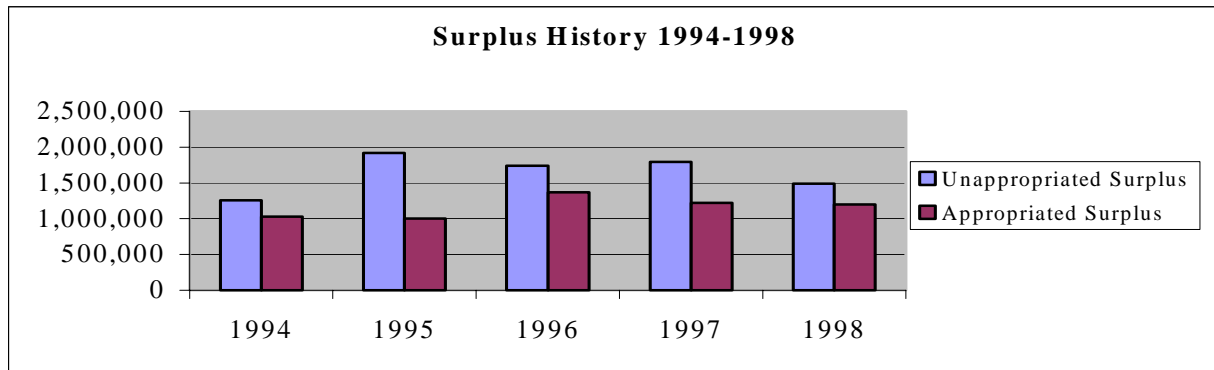
A considerable portion of miscellaneous revenues consists of beach tag fees. During the period 1995-1998, beach tag revenue increased from \$615,915 to \$946,276. Other major categories of miscellaneous revenues include parking meters and municipal court fines. The following table illustrates the distribution of realized revenues in 1998.



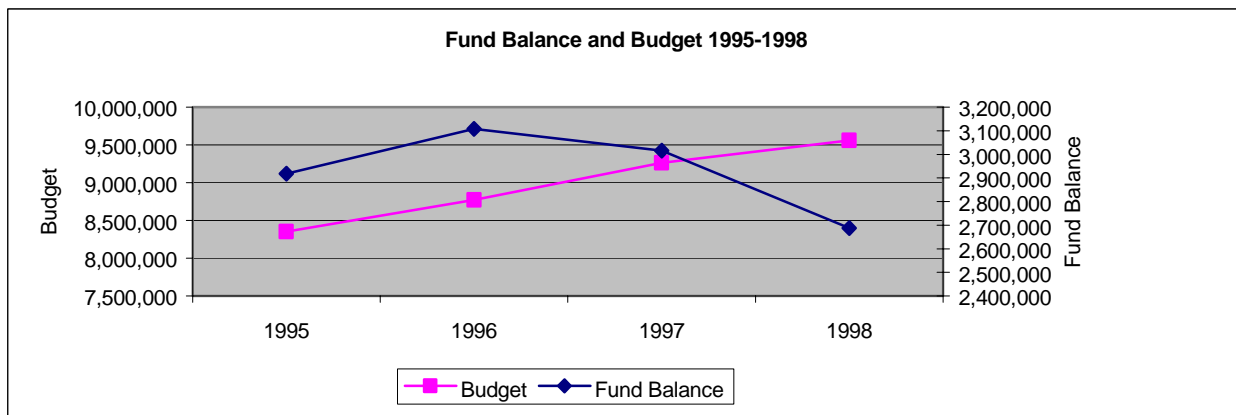
Surplus: The city has maintained relatively stable levels of surplus over the past five years. The city has consistently realized considerably more revenues than were anticipated, ranging from 9.52% to 12.54% above the budgeted amount. The primary factors have been a very high tax collection rate and greater than anticipated increases in several miscellaneous revenue categories.

Maintaining adequate levels of surplus is an important element of the city's overall financial condition. Sufficient surplus enables the city to meet unforeseen expenses and has an effect on the financial liquidity required to satisfy its financial obligations. A strong surplus position also enables the city to minimize fluctuations in the tax rate by appropriating surplus as revenue "shock absorbers."

With a heavy dependence upon miscellaneous revenues, the city should maintain prudent surplus levels to offset the potential volatility of its miscellaneous revenue base. Additionally, a stable and prudent surplus history is a credit strength that serves as an important factor in the city's cost of debt service. The following graph depicts the city's surplus history:



Upon further analysis, the team has concerns over the divergent trend of the surplus in relation to the city's budget. The ending year fund balance has gradually declined since 1996 while the budget has grown over the same period. During the review in 1999, the team noted that several major categories of miscellaneous revenues were experiencing significant shortfalls. The team has concerns that these shortfalls may accelerate the depletion of the surplus. The following graph illustrates this trend:



Based upon revenue reports obtained by the team, it is forecasted that the city will probably enter into budget year 2000 with a reduced ending year fund balance and lower than anticipated miscellaneous revenues. Faced with this situation, the city may desire to appropriate greater proportions of the fund balance into the succeeding year's budget to avoid a tax increase. The team strongly recommends the city consider the future impact of this course of action.

Staffing

Presently, the staff for the finance office consists of the Certified Municipal Finance Officer (CMFO), a payroll/personnel specialist and a clerk. The cost of salaries and direct benefits for the office was \$152,231 in 1998. Given the scope of activities handled by the office, the team believes the office is appropriately staffed with three full-time equivalent employees.

The city's finance and tax collection functions will experience major changes in key personnel. The chief financial officer and the deputy tax collector are scheduled to retire. The city has

reviewed several scenarios regarding the staffing of the soon to be vacant positions. The city is fortunate to have a tax collector with the necessary certifications and experience to fill the position of the retiring CFO. Discussions with the tax collector indicated that he feels he is capable of filling both positions with deputies assisting him in both the finance and collection offices.

The city has considered other options to restructure the finance office including the recruitment of a separate individual to fill the CFO position from outside the present staff. Although this option will provide greater depth with certified individuals in the tax collection and finance functions, it is one of the more expensive options.

Recommendation:

It is recommended the city fill the certified municipal finance officer position with the present tax collector. The city is fortunate to have an individual who is certified to perform both functions and has an extensive knowledge of the city's financial functions. The appointment of the tax collector to the CFO position will necessitate the creation of deputy positions for both the finance and tax collector functions.

CASH MANAGEMENT

The team reviewed the city's cash management practices in order to determine if it was maximizing its interest earnings while adhering to sound business practices. All cash management functions are handled by the Chief Financial Officer (CFO) who is responsible for investment decisions and any changes to the banking partner agreement. The CFO does not currently generate a cash flow analysis. The city maintains all its cash balances with one bank, although the resolution naming official depositories of the city specifies three banks. The CFO and the principal payroll clerk prepare the bank account reconciliations. The municipal court administrator reconciles the bail and violations accounts.

Recommendation:

It is recommended that a cash management plan be adopted pursuant to N.J.S.A. 40A:5-14 which includes preparation of a cash flow analysis by the chief financial officer.

Banking Services

The city's bank provides an analyzed account program that allows the city flexibility in maintaining separate accounts, while having them aggregated for purposes of compensating balances and charges. The city maintains 26 operating and trust accounts as well as several other escrow accounts. Interest is earned in four sweep accounts, which are linked to the four largest accounts with the bank. The interest rate is a bank-administered rate. There is no formalized agreement between the city and the bank.

The primary reason for this banking relationship is service and convenience as well as earnings potential. In addition, the bank is able to count the parking meter coin on their premises and

credit the city's account the next banking day. The city currently utilizes automated on-line services for wire transfers and balance reporting. The city has not solicited competitive bids from any other banking institutions in several years.

Recommendations:

The team recommends that the city solicit competitive bids through a Request for Proposal (RFP) from several financial institutions. This will enable the city to make a comparison of services and related costs to insure the best value for banking services.

The city should choose a banking partner based on overall performance including: convenience, level of sophistication, and array of services, return on investment, cost of the most frequently used services, accessibility to banking representatives, future branch construction plans and community reinvestment, among others.

In addition, a contract with the bank specifying the terms and conditions of the banking agreement should be drafted and signed.

Account Analysis

The team obtained an annual account analysis summary for 1998. The rates provided by the government banking representative did not produce the city's stated investment income when the rates were applied to the cash balances. In addition, we were unable to recalculate the earnings credit rate as specified by the bank. The accounts are structured such that instead of paying service fees, a compensating balance is required which earns interest at approximately 3.25% to offset these fees.

The net available balances (investable balance) ranged from approximately \$2.3 million to \$7.1 million during the year. The calculated costs of banking services for the year were \$30,930 and the interest earned net of those service fees was \$282,197. The return on the interest bearing bank accounts averaged 5.24% over the 12 months of 1998.

The team compared the actual interest paid by the bank to the estimated potential earnings from the New Jersey Cash Management Fund (NJCMF) as well as to the 91-Day T-Bill. These amounts were \$282,197 for the bank, \$279,939 for NJCMF and \$256,279 for the 91-Day T-Bill. The team's analysis of the available cash in bank and year-to-date earnings demonstrated that the city earned a very competitive interest rate on its fund balances.

Recommendation:

The CFO should request a detailed monthly account analysis from their banking institution which clearly defines interest rates, invisible balances, interest earned, and all service and unit charges. The CFO should verify that this information corresponds with the terms of the banking agreement. This is a vital tool to enable the CFO to make prudent investment decisions.

In addition, the CFO should request that banking fees be specified on each monthly statement instead of incorporating them in compensating balance requirements, thereby making it difficult to identify them. For 1998, the city earned an average of 5.24% on excess funds and approximately 3.25% on funds utilized to offset banking fees. It would be more advantageous for the city to pay for banking fees directly and earn an additional 2% on excess funds.

Revenue Enhancement: \$19,214

ASSESSOR

Overview

The city is the eighth largest municipality in Cape May County in total net valuation taxable. Of larger communities in the county, Ocean City has the largest valuation base. Based on the 1999 Cape May County Abstract of Ratables, the city's valuation consists of 3,660 line items with an equalized valuation of \$904,528,434. The following is a summary of the ratable base for the last three years:

Ratable Base

Property Category	1999 Line Items	1998 Line items	1997 Line Items
Vacant	229	242	239
Residential	3,011	2,998	2,978
Farmland	0/0	0/0	0/0
Commercial/Industrial	420	393	401
Total	3,660	3,633	3,618

Property Type	1999 Valuation	1998 Valuation	1997 Valuation
Vacant	\$24,977,000	\$27,598,300	\$24,479,300
Residential	\$536,431,100	\$530,781,000	\$522,601,700
Farmland	0	0	0
Commercial	\$227,521,600	\$217,573,700	\$219,348,500
Total	\$788,929,700	\$775,953,000	\$766,429,500
Exempt Properties	216,060,400	216,233,400	216,320,100
General Tax Rate	1.63	1.60	1.64
Equalization Ratio	87.22%	92.33%	95.78%
Equalized Valuation	\$904,528,434	\$834,986,549	\$800,197,849

Based on an analysis of property categories, the city has a strong residential base. This classification represents 82% of the total number of line items. Although there are a large number of homes, these properties only constitute approximately two-thirds of the total valuation of the municipality. Since the city is a resort, commercial properties comprise almost one-third of the city's taxable value. The hotel/motel industry makes up a majority of the list of the 10 highest taxpayers in the city.

There has been a minimal amount of ratable growth within the municipality. As a result, the total valuation has only increased between 1% and 1.5% each year. A review of the annual added assessment list indicates that most of the increase in value is due to the renovation of existing properties, new additions, or installation of central air conditioning.

The following list is a summary of the added assessments for the last three years:

	1999	1998	1997
Added Assessments: Residential	125	119	102
Added Assessments: Commercial	5	30	13
Total Value	\$8,186,800	\$12,175,100	\$7,524,000
Taxes Due	\$55,782	\$70,947	\$50,623

The tax money that is received for added assessments each year is unanticipated revenue to the municipality. The municipality retains the payments received for the school portions of the property taxes. The volume of added assessments is representative for the type of improvements being made to the existing ratable base.

Property Record Cards

The property record cards each have a separate file folder and are easily accessible within the assessor's office. Since the revaluation, the files have been maintained and the property information kept up to date.

The one problem that the assessor brought to our attention is the missing property sketches on the condominium cards. He indicated that the revaluation firm in 1993 did not provide sketches on the cards for all of the condominium units. The assessor estimated there are approximately 700 condominium units within the municipality.

Based on Section 802.44 of the NJ Assessors Handbook, a revaluation firm must provide property record cards that include a scaled sketch of the exterior building dimensions. Since this was not provided at the time of the revaluation, the assessor should schedule within his weekly hours the time to measure and sketch the condominium properties and update the property record cards.

Tax Assessments

There are several factors to analyze in order to determine if the city should consider an update of assessed values. These would include a review of: 1) Equalization Ratio; 2) Coefficients of Deviation; 3) Quality of Property Record Cards; and 4) Quality of Office Technology.

Equalization Ratio: The current rate of 87.22% indicates that properties are selling for more than their assessed values. This is a decrease from the previous year (1998) which had a ratio of 92.93%. The County Board of Taxation has a standard policy that any municipality with a ratio below 85% must complete a revaluation or reassessment. Based on the significant decrease of the current ratio, the Board of Taxation notified the city that some action should be taken to maintain the assessments at their 100% of market value.

The assessor indicated the reason the ratio decreased at a rate greater than normal is due to favorable economic conditions. The secondary real estate market is booming and resort homes are selling at premium prices.

Coefficients of Deviation: The coefficient of deviation is a method of statistically analyzing a group of assessment/sales ratios. A higher coefficient of deviation indicates a poorer degree of uniformity of assessments and a likely need for a revaluation. A lower coefficient of deviation indicates a better degree of assessment uniformity in the taxing district. In this report, only the general coefficient will be examined. The general coefficient is the measure of variation in assessment/sales ratio for all properties sampled without regard to property class, property size, or other property characteristics.

<u><i>General Coefficient:</i></u>
1999 – 12.04
1998 – 12.34
1997 – 15.49
1996 – 11.42

The International Association of Assessing Officers (IAAO) standards for ratio studies establishes an acceptable range of 10% to 20%, but less than 15% is better. The city's coefficient falls within the range and indicates that the overall uniformity of assessments is acceptable.

Office Technology: The office is completely computerized utilizing the vital program. They are on-line with the County Tax Board. The Vital valuation and data base program is known as one of the best systems in the state for assessing.

Recommendation:

Considering all of these above assessment factors, it is recommended that the city design a program to allow the assessor to take a more proactive approach to update current assessments and change neighborhood values on an annual basis. Based on the policy of the County Tax Board, the tax assessments need to be valued at 100% of market value. Since the current data base of property record cards is good and technology is in place with the vital computer system, a reassessment program can be done by the tax assessor with the assistance of a field person at minimal cost.

Financial

The assessor's office had an approved 1999 budget of \$41,300 of which \$23,500 (57%) is salary and wages, \$10,000 (24%) is contractual services, and \$7,800 (19%) is other expenses. The IAAO standards indicate an acceptable range of 80-85% for salaries. The contractual service expense includes \$9,600 for the computer maintenance fee to Vital Computers. The office utilizes Vital Computers and is on direct line with the County Tax Board.

Another benchmark used to determine if the budget is appropriate is to compare it to the number of line items. The national average of cost/line item is \$10-\$12. Based on the 1999 budget, the assessing operation cost \$11.28 per line item. The team concludes the assessor's office is operating in a fiscally responsible manner.

Office Operations

The current tax assessor was appointed to a four-year term on July 1, 1999. The position is part-time and scheduled to work 2½ days per week. The assessor has approximately 12 years of experience in property revaluation. He obtained his tax assessor's certification in 1994. He is well-qualified for the position and possesses the experience and knowledge to perform the job.

The assessor does not have any support staff. He is scheduled to work and is available to meet with the public all day on Monday, Wednesday and a half day on Thursday. These hours also include time for fieldwork. The assessor indicates that this schedule provides adequate time to complete all of the statutory duties of assessing. The assessor is also responsible for providing the 200 foot certified list of owners for proposed variances and updating the bank codes for the tax collector.

Based on the review of the office, the assessor is performing the required duties within the statutory deadlines. The following findings support the team's conclusion that the city has a well-managed assessing operation:

1. Not having any outstanding tax appeals.
2. Operating the office in a fiscally responsible manner.
3. Operating a professional and organized office.
4. Keeping current with property inspections and completing all of the required added assessments.
5. Having a good relationship with the construction office, and receiving permit and certificate of occupancy information on a weekly basis.
6. Having the assessor defend all residential and small commercial properties at the State Tax Court level at no additional compensation.
7. Utilizing the appointed municipal attorney to represent the assessor's office at tax appeal hearings.

PURCHASING

Overview

In 1992, the city adopted an ordinance establishing a uniform purchasing procedure for the city. This ordinance provides in great detail the necessary steps to properly acquire goods and services for the city. While the team commends the city for having such a comprehensive ordinance, the team noted that certain sections of the ordinance need updating. In particular, the references to the city manager should be deleted and the ordinance changed to reflect the current type of government and existing organization structure.

In conjunction with the treasurer, the purchasing agent is responsible to insure that both the Local Public Contracts Law and the city's purchasing ordinance are followed when acquiring goods and services. In addition to the responsibilities associated with purchasing, the purchasing office also handles mercantile licensing, bus permits/parking, and coordinates municipal information technology work. The purchasing office falls under the organizational structure of the city clerk, and the purchasing agent reports directly to the city clerk. It was apparent during the review that the city clerk allowed the purchasing agent to exercise considerable professional discretion in determining the priorities of the purchasing office. There was a good working relationship between the city clerk and the purchasing agent and communications between the two did not seem to be an issue. The city clerk was aware of the workings of the purchasing office and would advise the purchasing agent of any special request or projects that needed the attention of the purchasing office.

The team commends the city for having an ordinance that outlines in detail the procedures to be utilized when acquiring goods and services for the city.

Recommendation:

The team recommends that the city review the purchasing ordinance and update the ordinance to reflect the existing form of government and the current organizational structure. Emphasis should be placed on deleting the provisions involving the past position of city manager in the process.

Organization

Two full-time employees, a purchasing agent and a clerk typist, staff the purchasing office. Both of these staff members are long time employees of the city, with the clerk typist planning to retire at the end of 1999. During the review, an employee from the city clerk's staff was transferred to the purchasing office and received training to replace the departing clerk typist. The team commends the city for permitting an opportunity for training to ensure a smooth transition after the retirement of the clerk typist.

The purchasing agent is not certified by the state, though it was indicated to the team that the individual has taken all the necessary courses needed to sit for the examination. During the review, the purchasing agent was preparing to take the certified municipal finance officers examination. The team encourages the purchasing agent to pursue certification in purchasing as the team feels this will enhance the ability of the individual to perform assigned duties.

Purchasing Operations

As indicated earlier, the purchasing office is responsible for several functions not directly related to the purchasing. Mercantile licensing, bus permits, and technology management consumes much of the time of the purchasing office and of the purchasing agent. Unfortunately, this has an adverse impact on the ability of the office to focus on purchasing work. The purchasing agent stated that approximately 30% of office time is devoted to managing municipal purchasing, while the balance of the time is spent handling non-purchasing work. The team recommends that serious consideration be given to transferring all non-purchasing duties out of the purchasing

office into a more suitable municipal agency. This is discussed in detail in a different section of the report, but the team will be recommending the establishment of a centralized licensing office.

Over the past three years, the city has issued the following number of purchase orders and the following number of advertised contracts:

Year	Number of Purchase Orders	Number of Contracts
1999	3,604	17
1998	3,608	16
1997	5,504	12

Reviewing the city's actual purchasing procedures, the team discovered that the purchasing agent did not review or approve purchase requisitions. The purchasing agent would only review the requisitions that were specifically questioned by the treasurer/CMFO. In this case, the treasurer was assuming the role of the purchasing agent. The team felt that the purchasing agent should personally review all purchase requisitions to insure compliance with the local public contracts law and the municipal purchasing ordinance. According to the purchasing agent, there was not sufficient time to review all purchase requisitions taking into account the sizable amount of non-related duties the purchasing agent was responsible to handle.

The team does agree that it would be extremely difficult to review all purchase requisitions and, at the same time, devote needed attention to mercantile licensing and bus permits. However, the team strongly feels by not having the purchasing agent actively participate in the review process, it severely erodes the ability of the city to secure the best possible product or service at the lowest cost. It is very important that the purchasing agent be afforded the opportunity to review municipal purchases.

The purchasing agent indicated the level of involvement with administering public contracts varies depending on the contract. The purchasing agent is directly involved in the routine or less complicated contracts such as beach patrol surf boats. For complex contracts, the contracted professionals handle major capital purchases. In addition, the purchasing agent stressed that the purchasing office is always available if any city office requires assistance in preparing contract specifications, obtaining vendors, or securing price quotes. The teams did observe several bid openings while performing the review and noted that the purchasing agent was not in attendance. The team feels that the purchasing agent should be present at all bid openings in order to review submitted bid packages and prevent any conflicts or problems that could arise from the competitive bidding process. It is important for the purchasing agent to review all documentation prior to award of any public contract to insure satisfaction of all public bidding requirements.

Recommendations:

It is recommended that all non-related purchasing responsibilities be transferred out of the purchasing office. As discussed in the code enforcement section of this report, the team will be recommending a consolidated licensing and code enforcement office.

The team recommends that the city immediately take the necessary action needed to include the purchasing agent in the review of all city purchases prior to the issuance of a purchase order. It is important for the purchasing agent to review and approve all purchase requisitions. Purchasing review of the requisition should occur prior to the review of the treasurer/CMFO.

The team recommends that the purchasing agent become more active in the administration of public contracts. The purchasing agent should attend all public bid openings and review all documentation prior to award of a contract. The purchasing agent should also participate in the specification development process to produce fair and competitive specifications that are consistent with the Local Public Contracts Law.

During the review, significant personnel changes were occurring as a result of pending retirements. These personnel changes potentially could have a significant impact on the operation of the purchasing office. As previously stated, the clerk typist in the purchasing office was retiring, however, the city made arrangements to train another clerical employee to perform these duties. Also, the CMFO was retiring. According to city officials, the city was planning to appoint the current tax collector as the new CMFO. This new consolidated position of treasurer/tax collector would require the assistance of a qualified individual to act as a deputy treasurer. This individual would assist in handling financial related matters and act on behalf of the treasurer/tax collector in their absence.

The city was planning on placing the current purchasing agent in this deputy position. Accordingly, the purchasing agent was sitting for the CMFO examination. The team endorses this proposed reorganization; however, we emphasize the importance of clearly defining job duties and responsibilities of these new positions. With regards to the existing purchasing agent who will be the deputy to the treasurer/tax collector, the team feels that the primary duty of this individual should be handling purchasing related items. The team feels confident that with proper management, there should be sufficient time to handle municipal purchasing matters and provide needed assistance to the treasurer/tax collector.

Recommendation:

The team recommends that the new position of deputy or assistant treasurer be primarily responsible for handling purchasing matters. With proper time management and clearly defined roles, additional time should be available to assist the treasurer/tax collector with other financial functions.

PROFESSIONAL SERVICES

Overview

In accordance with the Local Public Contracts Law (N.J.S.A. 40A:11-1 et. seq.), a municipality may award a professional service contract without competitive bidding, as long as the governing body adopts a resolution awarding the contract and it is publicly advertised and available for inspection. Usually, these professional service contracts are awarded to individuals authorized

by law to practice a recognized profession such as accounting, law, or engineering. A review of the city clerk's files indicates that the city relies heavily upon its professional service contracts. During 1998 and 1999, the city awarded approximately 50 professional service contracts to at least 18 vendors. Total expenditures during this two year period amounted to over \$1,000,000. It should be noted that this includes professional services needed to design and construct the desalination plant, which cost in excess of \$550,000.

The team did experience some difficulty in obtaining information on professional service contracts mainly due to the fact that there was not one individual in the city assigned the responsibility of oversight on these contracts. As the official depository for the city, the city clerk had the vast majority of the records concerning professional service contracts. The treasurer's office had mainly copies of invoices that were needed to process payment. Also, the Superintendent of Public Works had a few records of mainly engineering contracts. Surprisingly, the purchasing agent referred the team's request for a listing of professional service contracts to the city clerk's office. The purchasing agent did not maintain a file for professional service contracts. The team feels that the purchasing office should administer all professional service contracts to insure compliance with the Local Public Contracts Law. This would include preparation of any request for proposals, reviewing all documentation prior to award, involvement in the payment process, and participation in assessing the professional's performance. The purchasing agent should not be the municipal representative for every professional service contract, but should be involved with respect to management of purchasing related issues.

Furthermore, the purchasing office should be responsible for keeping a current master file of all professional service contracts for the city. At a minimum, information included in this file should consist of name and address of vendor, brief description of service provided, duration of contract, amount of contract, and vendor representative. The establishment of such a central file will allow for timely access to information on existing professional service contracts in addition to developing a mechanism that will enhance the city's ability to maintain institutional history of the use of professional service contracts. Having historical information of this nature could prove to be very helpful in the budgeting process and in assessing the overall performance of the professional over an extended period of time.

Recommendations:

The team recommends that the purchasing agent become involved in the process of securing professional service contracts. A formal process for awarding professional service contracts should be developed by the purchasing agent and approved by the governing body. This process would include the following steps:

- 1. Development of request for proposals.**
- 2. Evaluation of submitted request for proposals.**
- 3. Review of documentation of successful vendor prior to award.**
- 4. Ongoing monitoring of vendor's performance during life of contract.**
- 5. Overall assessment of professional's performance and approval of final payment.**

In addition, it is critical that the city always complies with provisions of the Local Public Contracts Law. Also, all professional service contracts should be reviewed and approved by the purchasing agent prior to award. As discussed in the purchasing section of this report, the purchasing agent must be relieved of all non-purchasing related responsibilities in order to take part in the procurement of professional service contracts.

The team recommends that the purchasing office develop and maintain a master listing of all professional service contracts.

Management Control

Beyond the lack of a centralized location for maintaining records of all professional service contracts, the team also had concerns regarding accountability of these contracts. Based on the team's observations and information obtained from interviews, there appears to be a void when it comes to general oversight and control of professional service contracts. On many occasions, these contracts are awarded with no designated city representative responsible to manage and administer the contract. There were many times when the professional staff of the city was unaware of the status of a particular contract and even some instances when city staff was not even aware that a professional contract had been awarded for a particular project.

With the anticipated hiring of an administrator, an acceptable degree of control can be realized with professional service contracts. Not only does the city need to monitor the status of existing contracts, but it also needs to develop an evaluation system to determine whether the work can be accomplished with municipal staff or requires the expertise of an outside professional. Additionally, a reporting system on the status of professional service contracts needs to be formally established. To illustrate the need for control and oversight of the professional service contracts in the city, the team reviewed correspondence from the treasurer/CMFO to the mayor and governing body inquiring whether certain invoices submitted should be paid. Also, the team examined requests from vendors seeking payment on invoices submitted that were over six months past due. The team feels confident that the position of administrator will provide a centralized point in the organization where decisions regarding the use and payment of professionals can be rendered and communicated in an appropriate and timely manner.

Recommendations:

For every professional service contract awarded by the city, the team recommends that a member of the city's management staff be assigned to administer the contract. This designated individual would be held accountable for the performance of the contract. The newly created position of city administrator should be utilized as the city's primary contact person for professional services.

In conjunction with the hiring of an administrator, the city should develop a process to monitor status of existing professional service contracts and an evaluation system to determine whether future work should be performed with city staff or a professional.

The team recommends the establishment of a formal reporting system to communicate the status of professional service contracts. The team sees the assigned municipal representative working closely with the administrator in determining the appropriate method of communication needed to accomplish this important task.

Payment Process

The team reviewed the city's major professional service contracts. The city clerk's office maintained these records. It appeared that all of the professionals had properly executed contracts with the city. Needed supplementary documents required by the Local Public Contracts Law such as mandated affirmative action language, copies of professional licenses and certificate of employee information reports accompanied most of the contracts.

It was noted by the team that there was a varying degree of detail contained in invoices submitted for payment by the vendors. Some vendors furnished minute details on their invoices such as the length and topic of a particular phone call, while other vendors provided a very general invoice requesting a lump sum payment. Keeping in mind the statutory requirements that must be satisfied when processing payment, the city will have to determine the appropriate amount of documentation needed to process a payment for a professional service contract. Consistency is important when establishing a criterion that will be used to determine timing and amount of professional service contract payments. However, it is equally as important for invoices to be reviewed prior to approval of payment. The team feels that the payment process will be improved with increased vigilance of the purchasing agent, in addition to the assignment of all professional service contracts to a municipal representative.

An additional item is the schedule of fees and cost submitted by the vendors. The team noted several schedules were outdated and not reflecting the actual costs charged to the community. In order to determine whether the vendor is charging a proper and fair amount for services, the city must have on file the current schedule of fees and costs charged by any particular vendor. Without current information, it makes it very difficult to reconcile requests for payment for professional service contracts.

Furthermore, it should be recognized that the city does not offer any health benefits to individuals retained through professional service contracts, however, the current city solicitor and municipal judge are enrolled in the state pension plan.

Recommendations:

The team recommends the city adopt a formal policy for the payment of professional service contracts. In addition to the treasurer/CMFO, the purchasing agent and the municipal representative should be included in this payment process.

The team recommends that the city secure current schedules of fees and costs charged by all professional service contracts. This information is needed in order to determine proper and fair payment of services rendered.

Public Notification

The city is doing a commendable job in satisfying the notification and advertisement requirements for professional service contracts as mandated in the local public contracts law (N.J.S.A. 40A:11-5 (1)(a)). A review of the city council minutes, along with the corresponding city clerk file, indicates the city properly prepares resolutions needed to award professional service contracts. The resolutions provide supporting reasons for the award of the contract in addition to stating the contract amount. Often times, the amounts provided on the resolutions are expressed by utilizing “not to exceed” clauses, which the team strongly endorses. Also, on occasion, additional documentation would accompany the resolution describing the need for the award of the professional contract along with the contract’s scope of work. Public advertisements of the award of the professional service contract require a brief description of the contract along with its duration and cost. The city is properly advertising the award of professional service contracts.

Recommendations:

The team commends the city for properly preparing resolutions needed for the award of professional service contracts. The team encourages the city to continue this practice of clearly stating the purpose of the contract in the body of the resolution along with furnishing appropriate supporting documentation which describes in detail the terms and conditions of the professional service contract.

The team recommends the city attempt to use “not to exceed” clauses in all of their professional service contracts. The city should insist upon receiving detailed cost estimates prior to the award of any professional service contract.

The team commends the city for properly advertising the award of professional service contracts and encourages the city to continue with this beneficial public notification practice.

LEASES

The city leases 15 properties to various public and private entities. Six are long term (10 years or more) for \$1 per year with nonprofit entities serving a public purpose (e.g., Physic Estate, Fisherman’s Memorial), two are long-term antenna leases and one is a short-term lease for the staging of performances at the welcome center. The remaining six leases are for retail properties located on the Promenade and Boardwalk located along Beach Avenue. An evaluation of these retail leases is the basis of this review.

The following table summarizes the basic economic terms of the retail leases. All of the short-term agreements are competitively bid. Based upon the terms and conditions of the bid documents, all leases are net of utilities, maintenance, and operating expenses. Tenants do not pay property taxes.

Facility	S.F.	Annual Rent	S.F. Rate	Term	Expiration	Minimum Bid
Solarium						
Trish's (Stores 1 & 2)	960	\$22,500	\$23.44	3 yr.	12/31/00	
Sport N' Stuff (Stores 3 & 4)	1,050	\$55,000	\$52.38	3 yr.	12/31/01	\$27,500
Henry's	4,800	\$111,000	\$23.13	3 yr.	12/31/00	\$75,000
Broadway Pavilion	1,293*	\$30,500	23.59*	10 yr.	10/30/99	\$19,500
Sub total	8,103	\$219,000				
Oasis/Rickers	Land	\$150	NA	99 yr.	12/31/50	NA

*Not specified in lease document. Measured and computed by LGBR for analysis purposes.

NA-not specified in lease and/or bid document.

The review will identify the economic consequences of city participation in the short-term leasing by focusing on three areas: 1) the bidding process and lease management practices, 2) comparable rents, and 3) the cost of public vs. private ownership of this retail property. The 99-year land lease will be addressed as a separate section.

Bidding and Management Practices

As indicated, the city generates approximately \$219,000 in rental income from these properties. Minimum prices are identified in each bid document and in each case the lease price exceeds the minimum. However, the review team was not able to determine how the minimum bid price is established (the issue of comparability will be discussed later in this review). If the city is to continue the practice of leasing these properties, it should utilize a formal professional appraisal process (which should be kept confidential until after the bid opening) to identify what the minimum bid price should be.

In addition, for reasons of consistency and comparability, the review team recommends that the square footage of retail spaces (including adjacent boardwalk) should be formally verified at bid and specified in each lease along with the square foot cost. For example, the square footage for the Broadway Pavilion lease (now expired) was not identified at all.

The lease for Trish's specifies that the tenant is not permitted to use the promenade. However, on the south side of the property approximately 150 square feet of boardwalk is used by the restaurant. The city should determine if it has any remedy to recover additional rental for this unauthorized use. The lease is not specific regarding damages for non-compliance.

Also, it is not made clear in either the lease or the administrative code who the contract administrator of the lease is. While the documents are maintained and filed in the clerk's office, the informal operational custodian of the leasehold is the Director of Public Works. However, the director did not have copies of the leases and indicated during interviews, that public works personnel had performed some repair and maintenance on leased property. The city might have legal recourse to try to recover these costs, but the city does not have a work order process in place that identifies the administrative, labor and material cost of all work performed by cost center (see recommendations-public works).

The lease also requires that the tenants have city approval prior to performing any improvements and/or renovations. There is nothing on file to suggest that this lease provision is being followed. No inspections are performed and documented to verify compliance with the terms of the lease.

Recommendation:

It is recommended the city implement a formal process to establish minimum “market based” rental rates for leased property. It is further recommended the city identify a contract administrator to manage its properties and insure that the tenants and city are in compliance with all lease provisions.

Additionally, the city should establish each leasehold as a cost center to identify the actual cost to administer and operate the leasing program (including direct and indirect costs) and to net these costs against rental income.

Comparable Rents

Following a survey of available retail property and discussions with local realtors, a market rent for short-term (one to three years) leases for the Promenade/Beach Avenue area is conservatively established at \$25 to \$35 per square foot. In addition, tenants pay for all “fit out” (renovations and equipment), utilities, operating and maintenance costs, and taxes. Some rentals are higher (\$35-\$50 per square foot) if there is existing equipment in place that a new tenant can utilize. (In such cases the “business” is actually rented out. An example would be a pizza parlor that is rented “as is” with ovens, refrigerators, tables/chairs, etc., already in place.)

The provision in commercial leases requiring tenants to pay taxes is an important issue. Based upon 1999 tax records, the privately owned properties that front on the promenade paid an average of \$3.96 per square foot for property taxes. Renters of city property pay none. Accordingly, comparable rental rates net of fit-out, utilities, operating and maintenance cost (but including taxes) would range from \$28.96 to \$38.96 per square foot (\$25-\$35 plus \$3.96 taxes).

The city should identify an “in lieu of” tax component on the bid sheets (separate from the minimum bid) in order to “equalize” the competitive rental market. Based upon a rate of \$3.96 per square foot the city could realize an additional \$32,000 in annual revenue.

Recommendation:

The city should identify an “in-lieu-of” tax payment to be included as additional rent in retail leases. The amount of the payment should be consistent with the current rate of property taxes paid by private businesses located on the Promenade.

Revenue Enhancement: \$32,000

In addition, the following table summarizes the additional potential revenue available if leases currently paying less than \$25 per square foot were to increase to \$25 or \$30 per square foot consistent with the lower to mid-range of comparable market rents:

	S.F.	Annual Rent	Rent @ \$25	Rent @ \$30
Stores Under \$25 Per Sq. Foot	7,053	\$164,000	\$176,325	\$211,590
Additional Rent			\$12,325	\$47,590

Since the potential for this additional \$12,000 to \$48,000 in annual income is dependent on a competitive bid process, it is not formally identified as additional revenue in this report. The range of potential revenue is offered here for illustrative purposes only.

Public vs. Private Ownership

A topic discussed by the team is whether the city should be leasing property or should sell the property to place it back on the tax rolls. As indicated above, tenants are paying, on average, below market rent and no taxes. The city is not currently capturing actual and administrative expenses to maintain the facilities and administer the leasing program. This makes it difficult to “bottom line” how much net revenue the leasing program returns in general revenue.

However, one alternative would be to sell the properties and transfer all responsibility and risk for management, capital repairs and replacements to private sector ownership. Consistent with recent retail property sales in the city, utilizing a very conservative 10% capitalization rate, market rents of \$25 to \$35 per square foot would suggest sale prices between \$250 and \$350 per square foot. For 8,103 square feet of city-owned property, one time sales proceeds of \$2 and \$2.8 million could be generated. Additionally, the properties would be placed on the tax rolls and provide significant property tax revenues to the city.

Recommendation:

It is recommended that the city evaluate its commercial property holdings and determine if it is financially advantageous to sell its properties. The team recommends an appraisal be completed to accurately determine the true market value of these properties.

The proceeds from the sale of these properties could provide long-term tax relief through the retirement of municipal debt and the subsequent reduction of future debt service.

TAX COLLECTOR

Overview

At the time of the review, the finance and tax collection functions were being reorganized to combine the Certified Municipal Finance Officer (CMFO) and Certified Tax Collector (CTC) titles into a single position upon the retirement of the CMFO. Additional changes include the retirement of the deputy tax collector and the creation of a deputy position in the finance office.

During 1998, the city achieved an excellent tax collection rate of 98.3%. The tax collector attributed much of this success to the strong economy and the subsequent ability of its major property taxpayers to meet their obligations. The team’s interviews with tax collection staff found a very well trained and dedicated group of employees.

In addition to property taxes, the department also collects water and sewer revenues. A clerk in the water department assists in preparing utility billing, and the tax collector's office performs the collection function.

Staffing

The team performed an analysis to determine if the tax collector's office is appropriately staffed. With the reorganization of the finance and tax collection offices, two employees are specifically dedicated to this function with the anticipated staffing of a deputy tax collector and a clerical employee. The number of tax and utility billing lines per employee is approximately 3,300. This ratio falls within the LGBR benchmark of approximately 3,000-3,300 lines per employee for an efficiently run tax collection office. The team concludes the function is appropriately staffed.

The team noted that the tax collector is actively involved in his state professional association. Knowledge of the latest changes in management practices and regulatory requirements is crucial for operating an efficient and accountable office. The team commends the city for supporting the professional development of its staff members. With the reorganization of the city's tax collection and finance functions, the team strongly recommends the city continue this practice for the new finance officer and deputy.

MANAGEMENT INFORMATION SYSTEMS

Overview

Technology provides local government with numerous opportunities of savings through improved productivity and staffing realignments. It is also mandated as the environments in which local governments operate must follow state regulations and rely on technology as most vendors are computerized. Local governments often lag behind the private sector in technology. This low level of technology usage coupled with inadequate planning and obsolescence easily becomes a costly, re-occurring expense. The goal of Management and Information Systems (MIS) and office automation is to promote a smarter and efficient organization.

The team found a lack of technology coordination throughout the city. The city does not employ an individual specialized in technology as the size of the city operations and the number of computers make it difficult to justify a full-time position. Instead, the city has assigned all MIS responsibilities to the purchasing agent, mostly because of the individual's position and not expertise in technology. The purchasing agent has learned this function through practical experience, establishing uniform procurement policies where departments purchase one name brand computers and printers through state contract. The purchasing agent provides limited support to the police department and none to the courts.

Hardware & Software

The city has approximately 45 computers with additional printers and peripherals, some almost 20 years old. The old computers are actively used in public works and civic affairs. From 1998 to the time of the review, the city spent approximately \$63,089 in technology purchases, \$24,416

for 1998 and \$38,673 by September, 1999. These purchases include computers, printers, fax machines and peripherals. These figures are estimates since technology purchases are generally charged back to department budget lines instead of a specific technology budget line.

The city has three networks in the main municipal building. Construction, finance, tax collection and licensing/purchasing are on a Novel network, the police department is on a Windows NT network and the tax assessor office is using a propriety system with dumb terminals. None of the systems are linked for email communication. The tax assessor system is a closed system entirely and does not permit data exportability.

The city utilizes consultants for software and hardware support. Over time, the purchasing agent has developed sufficient empirical knowledge of network administration that the city only spends \$1,200 annually for complex network maintenance. The business demographics and geographic location of the city limit the number of vendors able to provide technology services. The city spends an additional \$20,500 in annual maintenance fees for the finance, police and tax assessor software.

Purchasing

The city currently purchases technology through state contract. Because of rapidly changing market conditions, state contract computer equipment costs 30-40% more than competitive bidding. A recent analysis by this unit found the name brand computer purchased by the city costs \$75 more per unit than a system procured through a competitive bid process. Upon closer examination of the bid specifications, the components of the bid were top quality parts that increased the value of the system. The team recognizes that less quality parts often have a negative impact on operating environments. Still, the LGBR cautions the city that purchasing computers through the bid process requires extensive computer knowledge, a level of expertise that the city does not have.

Technology Plan

At the time of the review, the city did not have a technology committee or plan. A technology plan, developed by a committee of staff and interested residents, is critical to successful implementation of information technology. The lack of a plan and committee probably led to the adoption of three different network environments within the city and the continued usage of 15-20 year old computers. Furthermore, the team inquired as to the condition of technology in public works and was told the department was waiting for the purchasing agent to develop a technology and purchasing plan. Discussions with public works staff indicated that they could offer input into the software needs of the department's operation, however, they did not feel they were qualified to identify the best computers or networking environment that would interface with other city computers. The purchasing department indicated that public works was not permitted to purchase computers unless they developed a plan.

The team found additional evidence of technology inefficiencies throughout the city such as:

- The police department had numerous paper processes of department statistics even though, according to the vendor, the existing computer aided dispatch system captured this

information. Much of the information the team requests during a review was unavailable as numerous attempts to contact the vendor by both the team and the city failed to retrieve the requested documents.

- Dispatchers called all National Crime Information Center (NCIC) inquiries to county dispatch even though there were NCIC terminals in the administrative court one floor below.
- Each day, police patrolmen were required to phone in their mileage before fueling up at the end of the shift even though this information is captured by the DPW's computerized fueling system and could generate this information on a daily basis.
- At the time of the review, backups on the police server were not functioning.
- The tax assessor's office used an old "closed" system that did not allow data migration or user friendly report writing. The purchasing agent had to purchase a secondary software package and assists the assessor's office with reports.
- The city tracks all personnel information manually.
- The city installs virus scanners on the two primary servers but none of the individual computers are protected.
- There are no operating manuals or procedures covering technology usage.
- Public works is running the recycling program on a 15-year old computer, and had no automated fleet maintenance or work order program.
- The city does not have an electronic purchasing system in place.
- During the review, public works did not have a functioning copier, which resulted in daily trips to the municipal building for copy services. During the summer, it was reported these trips often took 30-45 minutes. (This issue was resolved after the team inquired as to the status of the back-ordered photocopier.)

Recommendations:

It is recommended the city create a technology committee. The committee should consist of department heads, community members and local businesses. The committee should meet at least twice a year.

It is recommended the technology committee prepare a technology plan. Technology plans offer insight into computer operations and technology integration for the whole organization. The plan also provides critical data for the budgeting process and allows citizens to easily determine technology expenditures. The plan should include a 5–10 year capital outlay with budgeting allocations. One of the first steps of the plan should include a "needs–assessment" survey to identify areas in need of technology infusion.

It is recommended the police department request the software vendor provide additional training regarding report writing in an effort to reduce the numerous paper processes. If the software vendor cannot provide the necessary support, the LGBR recommends the city begin examining other caller aided dispatch systems that will meet the needs of the department.

It is recommended the city evaluate other finance packages available on the market. The team has reviewed numerous comprehensive software packages that will meet the needs of the city's departments, especially the tax assessor's office, personnel, and purchasing departments.

Finally, it is recommended the city develop comprehensive procedure manuals that outline computer usage, back-up protocols and fundamental network operations. This will protect the city's database in the event of a catastrophic event or the absence of the purchasing agent.

Communications

A review of phone bills indicated that city employees made 109,966 local and 18,837 long distance calls during 1998. The bill for local calls was \$54,513 and included monthly fees for a Centrex phone system. The long distance bill totaled \$11,356. In addition, city employees utilized extra phone services such as 1,195 local and long distance directory assistance calls, 420 return calls (*69), 194 "Call54" – an address identifying service call and accepted several collect calls. Charges for these services totaled \$1,073. A review of the bills found these services charged to phone numbers in different departments.

Recommendation:

It is recommended the city restrict the usage of these special communication features. The use of optional services from the phone company are excessive, especially when the local phone company provides telephone books and many national numbers can be retrieved from the Internet. It is estimated that the city may reduce half of its expenditures for special calling services.

Cost Savings: \$536

INSURANCE

Overview

In 1999, the city switched insurance carriers from the commercial market to a Joint Insurance Fund (JIF). Joint insurance funds allow local governments to pool insurance risk with other government entities in an effort to achieve savings from economies of scale. These funds typically provide insurance for smaller government entities for less than the traditional commercial rates. The city insures for property, general liability, auto liability, workers' compensation, public officials and employment practices through the Atlantic-Cape May Joint Insurance Fund (JIF) and the Municipal Excess Liability Joint Insurance Fund (MELJIF).

In 1997 and 1998, the city paid \$365,372 and \$349,220 for insurance coverage (excluding health) respectively. The city realized a decrease of premiums for the automobile and workers' compensation portions of the policy. It appears the decrease may be attributed to a combination of a reduction in claims and a favorable market environment in the insurance industry. In 1999, the city joined the JIF and secured an additional \$50,504 in savings with an annual premium of \$298,716. Actual funding of insurance expenditures is apportioned between the general fund and the utility fund.

In addition to the savings realized by joining the JIF, the city also benefited from substantially increased limits. An actual price-limit comparison is not possible since many of the JIF's prices are inclusive to a package arrangement; therefore, individual charges for specific coverages are not available.

General Liability

Reviews of the commercial loss run insurance report from February, 1996 through February, 1999 found 40 claims with an incurred cost of \$80,681. Of that number, only three claims remain open with a reserve balance of \$11,425. The 1999 JIF loss run insurance report documented a total of 19 claims with an incurred cost of \$38,009. The following table outlines the general liability claims history.

Insurance Year*	# of Claims	# of Claims Open	Total Incurred
1996	15	0	\$55,001
1997	13	0	\$23,930
1998	12	3	\$17,505
1999 (as of 9/25/99)	19	10	\$38,009
Total	59	13	\$134,445

*Insurance Year starts February 1st.

The loss run reports and the safety committee indicated that many of the claims arise from trip-and-fall incidents on raised sidewalks. The expanding roots of sycamore and pine trees cause the damaged sidewalks. The community values these trees and local advocate groups have tried to prevent the city from trimming or removing these trees. Of the 59 claims reviewed by the team, 27% or 16 claims were related to elevated sidewalks and/or damaged bricks. The figure may actually be higher based upon our interviews and the lack of detailed descriptions in the claims documentation.

Furthermore, the public works director reported that sidewalk repairs from tree roots have become a routine and frequent function of the department. The team could not confirm or identify a cost since public works does not maintain a work order repair system for routine maintenance. Additionally, there was evidence that private homeowners were denied home insurance because of the elevated sidewalks.

Recommendation:

Although the protection of the sycamore and pine trees is part of the local decision process, the city should be adequately protected from excessive lawsuits and reduce costs associated with preservation. It is, therefore, recommended the city review the tree preservation policy with the JIF, special interest groups and the city attorney to identify and reduce risks.

Risk Management

The major drawback of JIFs is the shared risk factor in that an incurred expense as a result of a catastrophic occurrence by any member of the JIF becomes the responsibility of the collective group. This risk can be minimized through a proactive approach to minimizing risk by the JIF and each government entity, specifically a safety committee staffed with personnel from each major operating department. The safety committee, in conjunction with the JIF's risk management consultant, should perform monthly safety inspections and develop employee training programs that will contribute to a safe work environment and risk reduction.

The Director of Public Works has led the safety committee since 1993. Under the director's guidance and dedication, the city has developed an exceptional policy and safety manual. Furthermore, the director has been aggressively conducting safety inspections and training, covering topics recommended by OSHA and the city's insurance company. Because of the enormous responsibility and duties of the safety committee, the city recently appointed a deputy director to assist the director. The team was told the safety director plans to transfer all safety committee responsibilities to the deputy safety director who shares the same enthusiasm for safety.

Throughout 1999, the JIF and the safety committee have attempted to work together to develop a satisfactory risk environment. A review of documentation, and LGBR tours and interviews indicate there may be internal issues over risk management policies. For example, it appears that findings in the municipal safety program overview, a self-audit review form, does not coincide with what the team found during the reviews. The team also found contentious memorandums between departments and a number of safety committee meetings occurring where the fire, police and utility personnel failed to attend. A proactive safety committee is critical in a city where there are extremely hazardous chemicals used in the desalination plant adjacent to the public works facility.

Recommendations:

Attendance at safety committee meetings by department heads or a delegate is critical to a successful risk management policy. It is recommended the city establish a mandatory attendance policy for all members of the safety committee. The city should permit, on occasion, the appointment of a delegate if the regular committee member cannot attend.

Responsibility for the safety committee is under the purview of the public works director. The team commends the dedication and leadership of the public works director. The team is also cognizant of the public works director's heavy workload and demanding schedule.

In light of these considerations, it is recommended the city transfer the oversight of the safety committee to the fire chief. This arrangement would better distribute the administration of this program throughout the city rather than placing whole responsibility on a single department. The team feels that the fire department has wide expertise in safety related matters and would greatly enhance the city's risk management efforts. The team recommends the current deputy safety director retain his position and continue to provide support to the safety committee.

During LGBR tours, the team noticed additional areas of concern that the safety committee and administration should address. The following are some of the team's observations:

- there appears to be no smoke detectors in the municipal building;
- the fire alarm system in the public works facility was non-functional;
- the dust/particulate collection and ventilation system in the wood shop involves placing a large fan in front of the table saw blowing the dust/fumes out the door;
- public works does not have a fire-proof cabinet in either the woodshop or garage to store flammable materials;
- the public works garage did not contain an automobile exhaust removal system; and
- the team could not find building evacuation plans in either the municipal or public works facility.

While the LGBR team members are not expert risk management consultants, we recognize that the city departments need to interact better and address safety issues. Given the proximity of the desalination plant and DPW facility, a non-working fire system in the DPW represents a serious risk. Since joining the JIF, the focus of the safety committee and the risk management consultant (RMC) has been to address safety concerns of the desalination plant, which included a corrective action plan addressing a notice to comply issued by OSHA.

Recommendation:

Proactively addressing risk management and safety in the city will lead to a reduction in workers' compensation claims and lost productivity while protecting public assets. It is, therefore, recommended the safety committee and JIF safety consultant perform in-depth review of all city facilities.

Risk Management Consultant

The Risk Management Consultant (RMC) advises and assists the city in risk management and other insurance issues. The current risk management plan receives approximately \$14,000 annually to provide these services to the city. According to the RMC, the only services they provide are the verification of insurance riders provided by private contractors hired by the city. We found this service to be expensive considering municipal clerks receive training for this function. Risk management consultants should evaluate loss run reports from the JIF and target potential problem areas with a risk management plan.

In addition, the RMC should assist in workers' compensation audits. These audits would verify proper deductions according to title and pay classifications. However, the team notes that the

current RMC would be performing a self-audit since they were the workers' compensation underwriters prior to the city joining the JIF. At the time of the review, the city was considering an independent auditor whose fees were solely based on a percentage of recovered money.

Recommendations:

Based on our interviews, the team did not feel the city was maximizing the services of the RMC. It is, therefore, recommended the city review the JIF bylaws and expand the scope of services provided by the RMC. Such services should include workers' compensation payroll audits, analysis of claims history and other research support for risk management issues.

It is also recommended the city issue a request for proposal to evaluate what services are available from other risk management firms.

HEALTH INSURANCE

Overview

The city uses a private carrier to provide health care coverage for its employees. The city changed from a self-insured plan several years ago to purchasing coverage from a traditional insurance company. The city also provides health benefits to employees upon retirement. At the time of the review, the city was providing benefits to 99 employees and 20 retirees. The cost of the healthcare plan was estimated to be approximately \$905,000 for 1999. The city is budgeting for a 25% increase next year, expecting it to cost \$1,131,000. The city also funds a cafeteria plan that is estimated to cost about \$65,000 in 1999. It has a pharmacy reimbursement plan through this cafeteria plan and provides other benefits as well to eligible participants.

The cost increases to the city's health benefits plan have averaged over 25% for the past two years. The generous plan design and the resultant high utilization have contributed to an expensive plan when compared to the state's plan. The mayor asked Local Government Budget Review to conduct comparison of their plan to the State's Health Benefits Plan (SHBP) in order to determine whether the city could save money by switching plans or if they could limit future increases in plan costs by changing the plan's design.

State Health Benefits Program

During the review, the city was considering switching to the State Health Benefits Program (SHBP) or a health insurance fund. The estimated cost of switching to SHBP for 1999 is \$724,000 with a prescription plan and \$650,000 without a prescription plan. For the year 2000, the respective estimates are \$809,000 with a prescription plan and \$715,000 without a prescription plan. The above projected costs assume that employees sign up for plans at statewide averages. The estimated cost to join the health insurance fund was about \$885,000 in 2000.

It was stressed that at a NJ League of Municipalities meeting on health insurance funds that if a local entity desires a plan equal to the state's plan, they are better off economically in the state's

plan. However, the rules for the state's plan are rigid and difficult to change because they are set by the legislature. If a local entity is willing and able to negotiate plan design changes with its employees, then other forms of coverage may be more economically attractive than the state's plan.

Using a model incorporating statewide averages in enrollment, the city could save about \$320,000 from their current costs of both the health plan and the cafeteria plan assuming that the city does not want to have a prescription plan. A discussion with the city's administration indicated that the city desires to replace its cafeteria plan with a prescription plan for its active employees and eligible retirees. Incorporating retirees into a prescription plan could prove to be a costly decision, but the state recently incorporated a three-tier prescription plan for its retirees. Using rates for prescription plans and comparing this to the current plan costs, the savings estimates are reduced to \$246,000. These savings figures are all based upon the city's 1999 healthcare cost estimate of \$905,000 plus the \$65,000 for the cafeteria plan.

The city indicated that the expectations for next year's increase are being estimated at 25%. The review team instead used a more conservative figure of 10% for the traditional increase and 7% for the managed care increase. This totals about \$984,000 for the healthcare plan for the year 2000. The expected cafeteria plan costs in the Year 2000 were kept at the current expenditure rate of \$65,000. This results in a total estimated expenditure of \$1,049,000 in 2000. The savings projections for Cape May in the Year 2000 are estimated to be \$334,000 without a prescription plan and \$240,000 with a prescription plan. The city indicated that it would scrap the cafeteria plan if they were to switch to the state's plan and have a prescription plan.

Plan Design Changes

An alternative way to reduce health insurance costs is plan design changes. The city's health plan does contain excess coverage levels that need to be addressed to keep its benefit costs competitive. In order to be competitive with the state's health benefits plan, the city needs to have more restrictive features than the state's plan. The State Health Benefits Program is less expensive because of its large size and the fact that its administrative charges are so low. In the review of the city's plan design document there was mention of dental expense coverage. However, the city does not provide dental expense coverage under its benefits package and it does not appear as if the city pays for this additional feature in the plan design document.

The existing plan has several features that may illuminate why it is so costly when compared to SHBP. First, it has a no cost provision for network usage. There are no co-pays for doctor visits. Out of network emergency room usage, hospital stays, or ambulatory surgery procedures are also at no cost. This also is a relatively small group in an isolated geographic area. Many beneficiaries that need specialty care have demonstrated the willingness to travel to Philadelphia or out of the area to seek that specialized treatment. Recent history has shown several claims that have become expensive as a result of this phenomenon.

If the city desires to continue to remain fully insured with a private carrier for health care coverage, the city needs to make plan design changes to reduce both costs and excessive utilization. The health care broker pointed to several of these excesses. While it is difficult to

measure the impact of plan design changes on a small population, Local Government Budget Review used average potential underwriting savings for a variety of plan design changes that could be negotiated to reduce overall health benefit costs.

The managed care plan does not charge for doctor's office visits. As a result, there is a propensity to visit the doctor's office more often than when someone has to pay an office visitation fee. Other plans where there were no office visit co-pay charges have noticed a direct correlation for each dollar charged in office visits; a corresponding percentage reduction takes place. The review team estimates that the city can save 4%-7% off their estimated managed care expense of \$559,100 in 1999, or \$22,400-\$39,100, by instituting a co-pay of \$10.

Emergency room visits are also free of charge. If the plan were to institute a \$50-\$100 co-pay to be refunded if patient is admitted, this provision would lower the overall cost of emergency room visits and change the behavior of some participants, thereby lowering the emergency room utilization rate and the associated costs of non-emergent visits. The savings that can be drawn are estimated to be between 2% and 4% of the managed care portion of the health care expense, or \$11,200-\$22,400.

If the city were to implement a co-insurance charge for ambulatory surgery the plan could save an estimated 4% to 8%, or \$22,400-\$44,800, by changing the network utilization rates for ambulatory surgery. Currently, there is no incentive to use the network for ambulatory surgery and the network discounts for payments in the particular category can be rather large.

Changing the plan deductible could also effectively lower the plan's costs. The plan has very low deductibles. The savings for instituting a deductible of \$200/\$400 could then be expressed as 3% to 5% off all plan costs of \$904,900, or an additional \$27,100. Given the fact that many expenses are covered free of charge even if they are out of network, the deductible appears to be irrelevant for most of the plan's participants. If the co-insurance level changed from 20% to 30% with the provisions described above, the city could save 3% or \$15,800 for the managed care plan.

If the city increased its co-payment cap for out of network usage in the managed care plan from \$400/\$800 to \$750/\$1,500 the savings would be an additional 2% to 4% of the managed care costs, or \$11,200 to \$22,400. Additionally, the city could increase the co-payment cap for the traditional plan to \$600/\$1,200 for additional savings of 2% from the traditional plan, or \$6,900.

The city should be able to make a variety of changes to reduce the effective rate of its benchmark plan by approximately 15%, or \$84,000. They could then charge the difference between the benchmark managed care plan and the traditional plan, saving an additional \$68,700. The city could, therefore, potentially save \$152,700. These savings amounts are based upon current 1999 costs, not projected costs.

The city needs to address its healthcare cost spiral. There are many avenues of plan design changes that the city should consider in reducing its healthcare costs. Due to benefit provisions contained in collective bargaining agreements, these changes must be negotiated.

It should be emphasized that that the city is a small employer and that the savings estimates provided below may be substantially different based upon its subsequent claims experience. The broker for the district should be able to present more accurate numbers than the estimates given here.

Recommendations:

The city decided during the review process that it was frustrated with the increases that it was recently experiencing for health insurance, as well as how the cafeteria plan was escalating in costs. As a result the city was considering switching plans. The mayor and council decided during the review process to switch to SHBP. Using statewide averages for municipalities who use SHBP for benefits, the district could save \$240,000 from projected costs of its current plan and the cafeteria plan.

Cost Savings: \$240,000

The city can change its plan design to reduce its costs. Outlined above are several suggestions that could reduce costs. A summary of these appears below. The mere act of combining savings methodologies for plan design changes can change the total amount of savings.

- Institute a co-pay for doctor's office visits
Cost Savings: \$22,400 - \$39,100
- Institute emergency room co-pay of \$50 to \$100.
Cost Savings: \$11,200 - \$22,400
- Implement a co-insurance charge for ambulatory surgery.
Cost Savings: \$22,400 - \$44,800
- Change the plan's deductible levels.
Cost Savings: \$27,100
- Change co-payment requirements to 30%.
Cost Savings: \$15,800
- Change co-payment caps.
Cost Savings: \$18,100 - \$29,300
- Use the managed care plan as a benchmark for costs and charge the difference between the plans.
Cost Savings: \$64,000

While it is difficult to summarize the savings because of the small size of the group and the impact of one cost saving solution upon another, the team estimates the city could save a total of \$181,000.

PERSONNEL

Due to the labor-intensive nature of local government, personnel costs constitute the greatest single category of expenditure in the municipal budget. Salary and direct benefits are the largest single component of the municipal budget, constituting approximately 70% of current fund expenditures in 1998. Due to a number of structural problems with its organization, the city often conducts its personnel actions in a reactive manner.

Under the Small Municipalities Plan of government, the mayor is responsible for practically all personnel actions. With the exception of selected statutory officials requiring the advice and consent of council, all other employees are appointed by the mayor. In addition to appointment powers, the mayor may terminate or promote employees. Department heads recruit the city's considerable number of seasonal hires, with the applications forwarded to the mayor for approval.

As in many smaller local governments, the city does not have a dedicated personnel department or human resources professional on staff. The mayor's office is the lead agency for the city's personnel management function. Assisting the mayor is a clerk typist who processes applications for employment and other personnel functions as directed by the mayor. Additionally, the finance office provides support for payroll, insurance and pension enrollment.

The team found several personnel issues in need of improvement. Greater attention needs to be directed toward civil service job titles and their appropriateness to the actual work being performed by the employee. The city's expenditures for labor counsel are also high for a city of this size, amounting to \$61,002 in 1998-1999. Performance evaluations were not being performed on a regular basis.

Inadequate attention to personnel functions can result in costs that are not readily apparent. Litigation costs, poor employee morale and lost productivity due to excessive time spent on personnel matters are indirect costs. Additionally, personnel issues can distract employees from their core missions and divert resources from more pressing needs.

The team has identified personnel as a critical area requiring attention by the city. Significant expenditures have been made for legal services involving personnel issues. Interviews by the team uncovered numerous problems relating to staffing levels, job title classifications and costly provisions in the city's collective bargaining agreements. Many of these problems will be discussed in detail in other sections of this report.

Recommendations:

It is recommended the city assign personnel management as one of the core responsibilities of the newly created position of administrator. The city's personnel management function needs to evolve from a reactive to a more proactive mode. The city's personnel function requires an experienced administrator to oversee the following functions:

- 1. In-Processing and Out-Processing Procedures;**
- 2. Labor Relations;**
- 3. Safety Programs and Workers' Compensation;**
- 4. Training, Licensing and Certification Issues;**
- 5. Civil Service Actions;**
- 6. Compensation Analysis;**
- 7. Performance Evaluations;**
- 8. Personnel Records Management;**
- 9. Job Specification Development;**
- 10. Workload Analysis to Determine Appropriate Staffing Levels;**
- 11. Adherence to State and Federal Employment Regulations;**
- 12. Pension and Insurance Benefits;**
- 13. Disciplinary Actions and Employment Practices Litigation; and**
- 14. Table of Organization.**

Since the city's workforce is not of sufficient size to warrant a separate personnel specialist position, this function requires an administrator with a strong background in personnel management. Upon hiring an administrator, the city should analyze the workload and capabilities of the administration office and other departments and assign the functions accordingly.

Personnel Policies

In response to requirements for employment practices liability insurance from the city's joint insurance fund, the city has prepared a personnel policy manual. The document is very comprehensive, disseminating the large body of state and federal labor laws enacted in the past 15 years. The team's review of the manual found it to be satisfactory in communicating the city's personnel policies and reducing its employment practices liability exposure.

Performance Evaluations

A concern of the team is the lack of performance evaluations being completed on employees. From interviews with city staff, it was determined that evaluations have not taken place for several years. Discussions with staff indicated some dissatisfaction with past evaluation practices. A common complaint was that the process was sometimes inconsistent and unfair.

Although the team acknowledges these difficulties do sometimes occur, written performance evaluations are a central element in efficient personnel management. A performance evaluation is an invaluable tool in communicating management's assessment of an employee's performance and providing recommendations for improvement. Additionally, a well-documented performance history strengthens management's ability to discipline or terminate employees who consistently fail to meet communicated standards of performance.

Recommendations:

It is recommended the city implement a performance evaluation system. The city should train its supervisory staff in the use of these evaluations and develop standards to measure an employee's performance.

It is further recommended the city structure deadlines for completion of these reports during the winter months so that supervisory staff can devote sufficient time and effort to produce an accurate appraisal of employee performance.

Attendance

The city does not use time clocks for recording employee attendance. Generally, most employees were punctual; however, the team observed occasional tardiness upon reporting to work and returning from lunch. Additionally, the city has multiple locations where seasonal employees report to work at different times and days throughout the tourist season.

The beach tag and beach patrol operations utilize a roll call method of recording attendance. Given the seasonal nature of these activities, the team believes the present method is acceptable for these activities and time clocks should not be utilized for these locations.

Recommendation:

It is recommended the city install time clocks at the public works facility and city hall. Management control over reporting times is a core element in establishing workplace accountability, ensuring that wages paid correspond to the hours of labor. All employees, with the exception of management executives, should be required to record the time of arrival and departure from their work sites.

It is further recommended that employees sign these timecards and that they be confirmed by supervisors for incorporation into the city's attendance and payroll system.

POLICE

Overview

The police department operates in a resort community with considerable variations in workload depending upon the seasonal populations. Because of the small size of the department, the city must maintain operational flexibility with police officers performing a wide variety of functions in contrast to the more specialized duties often found in larger departments. Generally, the team believes the department accomplishes its law enforcement mission in a very professional and efficient manner. Police officials greatly assisted the team in providing information and insight for this report.

The police department comprises the largest portion of the city's operating budget. In 1998, expenditures for police salaries and wages were \$1,448,996 and direct benefits cost \$320,286. Other expenditures were \$52,266.

The department faces law enforcement challenges that are fairly typical of resort communities. Resort communities often have artificially high crime rates due to using permanent population statistics rather than seasonal populations for computing crime rates. An examination of 1998 Uniform Crime Report statistics indicate a crime rate that corresponds to a pattern that is typical of comparable resort communities:

	Total Crime Rate per 1,000	Violent Crime Rate per 1,000	Nonviolent Crime Rate per 1,000
Cape May City	66.6	1.3	65.3
Avalon	123.7	2.7	121.0
North Wildwood City	97.4	4.6	92.8
Ocean City	76.3	2.6	73.7
Stone Harbor	93.8	1.0	92.8
Wildwood Crest Borough	67.3	2.8	64.5
Cape May County	59.0	3.6	55.4
State of New Jersey	37.1	4.5	32.6

The team's review of the department consisted of numerous site visits by the team, including in-depth interviews with the police administration, unit supervisors and other selected police and civilian personnel. In addition, the team viewed other police operations. On some occasions the team accompanied the uniformed personnel on patrol. Workload and other department data were requested and provided by the department staff in a timely fashion.

Organization

The police department is divided into two divisions, uniform and detective. In 1998, the table of organization for the police department staff consisted of a chief, a captain, a lieutenant, four sergeants and nine police officers assigned to general patrol duties. Additionally, a sergeant and a detective are assigned to the detective and juvenile bureau. Supporting the sworn officers are eight civilian employees consisting of crossing guards, dispatchers and clerical personnel.

In addition to regular full-time personnel, the city hires Special Law Enforcement Officers (SLEO) during the year to assist with patrol duties during the peak summer season. In 1998, the city utilized 20 SLEOs. However in 1999, the police department was able to hire only 15 of these SLEOs due to shortages of officers in the region. This shortfall increased overtime as officers were recalled to fill staffing shortages.

The police administration is concerned every year with the number of special law enforcement officers employed for the summer season. This staffing shortfall had several negative operational and financial consequences. The loss of these five SLEO positions reduced the benefit of high visibility patrols during the peak summer season. In addition to increased overtime costs, the city lost revenue due to the reduction of parking fines generated by these officers through daily meter enforcement.

Discussions with police officials in the city and in the region indicate that several reasons exist for the shortfalls in recruitment. Many SLEOs receive better financial offers from other resort communities. Some SLEOs will commit to a community for training purposes and later join a different department for a variety of personal reasons.

Recommendations:

It is recommended the city hire five civilian Parking Enforcement Officers (PEO) to augment the city's paid staff. Due to the minimal training required for this function, the

city should be able to more readily recruit these personnel. Although these officers are not sworn police officers, the presence of uniformed officers equipped with radios should enhance security for the city.

Additionally, the dedication of these civilian officers to parking enforcement should improve traffic circulation and also increase revenues to the city from parking fines and meter revenue. Although the team anticipates the revenue enhancement would be substantial, an accurate estimate of additional revenue is difficult to determine due to the variables involved in this calculation.

Policy Management

We reviewed the policy management within the police department and found an incomplete system of written policies. The police department does not currently have a complete or adequate set of policies to sufficiently guide the police officer practice and behavior.

During the review, the Joint Insurance Fund (JIF) was conducting an audit of the standard operating procedures and the rules and regulations of the police department. Based on the JIF procedures, the police department has to annually update and implement where necessary a new set of rules, regulations and standard operating procedures. This program allows for a reduction of 5% to 10% savings on law enforcement professional service insurance premiums to the municipalities. While the team was conducting its review, the police administration was in the process of meeting with the Division of Criminal Justice, Division of Law Enforcement Standards to acquire information for new rules, regulations and standard operating procedures.

Staffing Analysis

The team performed a workload analysis to determine the minimum number of police officers needed for patrol duties. Currently, all three patrol shifts use a 5-2 (days on/days off) staffing schedule. Four platoons, each assigned with a sergeant and two patrol officers rotate through the midnight, day and evening shifts. All other police officers are on a regular 5-2 schedule. Deducting the actual sick, vacation and other leave time from the standard 2,080-hour work year, the team determined an officer availability of 1,680 hours.

The police department received approximately 8,847 calls for service. Calls for Service (CFS) are incidents requiring a patrol unit response, such as a motor vehicle accident or officer initiated calls such as a motor vehicle stop. These types of activities collectively constitute the patrol workload for the department. However when the team requested the Computerized Aided Dispatch (CAD) data, the police administration advised the team that there were inconsistencies with the data.

Due to problems with the department's CAD system, the 8,847 CFS does not include 1,934 officer-initiated motor vehicle stops. Additionally, discussions with police administration indicated that the statistics might not include calls for service in which a patrol unit is dispatched as a backup. These factors affected the team's workload calculations for the department.

The International Association of Chiefs of Police (IACP) has created a formula that is used to measure the average amount of time spent on each call for service. According to the IACP

formula, an average of 45 minutes is utilized for each call for service. This average time is the actual time consumed by the patrol unit from the time it is dispatched until the time the patrol unit is cleared of the call. By using the standard of 45 minutes per call, the department consumed 8,085 hours of patrol time responding to calls for service and motor vehicle stops.

In addition to response to calls for service, police officers have other duties such as high visibility patrols, court appearances and other administrative matters. The IACP formula utilizes a multiplier of three to account for these miscellaneous duties. When this multiplier is applied to the department's call for service workload, all patrol duties consume 24,255 hours. The following formula is used to determine the minimum number of full-time patrol officers:

Calls for Service Demand Model:

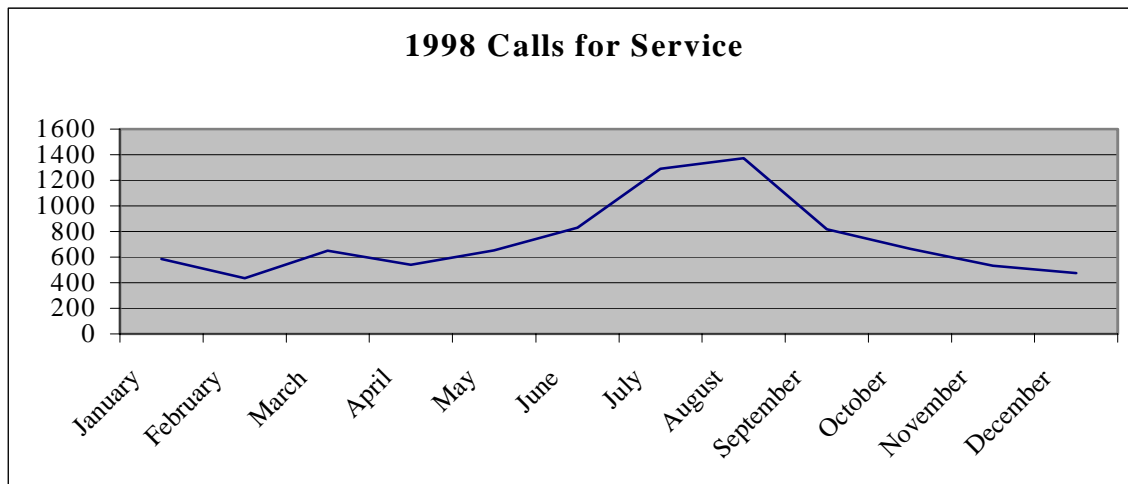
10,781 CFS (8,847 calls for service) + (1,934 motor vehicle stops)

10,781 CFS multiplied by .75(45 minutes) = 8,085 hours for CFS responses

8,085 hours multiplied by 3 for administrative and unobligated patrol time = 24,255 hours

24,255 hours required for patrol activities divided by officer availability of 1,680 annual hours
=14.43 patrol units required or 15 officers assigned to the patrol function.

A key factor in understanding the minimum staffing level for the city is the seasonal nature of the department's workload. Calls for service can vary considerably, averaging 0.79 calls per hour in February to 2.25 calls per hour during the height of the summer season in August (statistics include calls for service and a prorated share of the city's traffic stops not captured by the CAD). Additionally, workload demands can vary considerably depending on the time of day. The table below illustrates the city's seasonal CFS workload:



In addition to the 12 full-time officers assigned to the patrol division, the department utilizes 15-20 Special Law Enforcement Officers (SLEO) during the peak summer months to assist with the increased workload. Factoring these officers into the staffing analysis is difficult due to the reduced mobility and ancillary functions of these officers. Some of these SLEOs are assigned to

walking patrol duties, resulting in a diminished ability to respond to calls for service in areas outside of their immediate responsibilities. As the table indicates, however, the use of SLEO is a highly cost-effective means to service the city's seasonal demand.

The above data shows only general trends in the city's CFS demand history. As stated earlier, the city's CAD data does not include the dispatch of officers as backup or the use of superior officers to respond to calls. In other towns reviewed by the team, similar reporting deficiencies may understate the actual CFS history by over 25 percent. Due to this potential for significant variation in CFS data, further study will be required to determine an appropriate staffing strength.

Recommendations:

It is recommended the city request a patrol staffing study from the State of New Jersey, Department of Law and Public Safety, Division of Criminal Justice (DCJ). To facilitate this study, the department should review the present CAD system and dispatch procedures to ensure that CFS data is properly recorded. The team's other recommendations to enhance the city's technical support for its computer systems should improve the department's ability to accurately measure its workload.

The team recommends the city reevaluate the current wage scale for SLEOs with comparable communities to determine if it is competitive. The city should adjust its wage rates accordingly to attract SLEOs to fully staff its functions. This action will ensure that the city is fully staffed and reduce overtime costs when officers are recalled to fill vacant positions. Additionally, the team's recommendation to recruit civilian parking enforcement officers (PEO) will allow seasonal officers to devote greater efforts to responding to calls for service rather than parking enforcement.

It is further recommended that the department's superior officers attend the Division of Criminal Justice patrol staffing course. This course will allow the department's command officers to better utilize the CAD system as a management tool to determine staffing and scheduling policies.

Overtime

The police contract contains scheduling provisions that create structural overtime. Due to the rotating shifts of the city's 5-2 (days on/days off) schedule, patrol officers receive less than 48 hours of off-duty time at three-week intervals. According to the contract, police officers are compensated for this reduced off-duty time by receiving overtime for the first full eight-hour shift following the short off-duty period.

Recommendations:

It is recommended the city renegotiate the scheduling provision of the police contract to permanently assign officers to shifts instead of the current rotating system. This change

will allow for uniform 48 hour off duty periods between shifts and eliminate the overtime associated with current scheduling practices. In 1998, \$52,939 in overtime was paid to satisfy this provision of the contract.

This recommendation for permanently assigned shifts will also allow the city to exercise greater operational flexibility by adjusting staffing levels to correspond to the high or low activity levels based on patterns of daily or seasonal calls for service. The present system limits the number of officers on each shift to the set size of the rotating platoons.

Potential Cost Savings: \$52,939

Command Structure

The team was very impressed by the leadership skills of the department's superior officers. Despite facing resource constraints, the department nevertheless strives to provide superior policing services to the community. The chief is personally involved in the daily operation of the department and has a "hands on" command of the organization. This philosophy is critical for effective police operations in a department of this small size. The chief has also created a command climate that has fostered a similar commitment to service among the department's line officers.

As in many smaller departments, the need to exercise 24-hour supervision over smaller patrol elements greatly reduces the supervisor to officer ratio. During the review, the department's nine full-time supervisors commanded 10 sworn officers for a ratio of one supervisor to 1.11 sworn employees. During the peak summer season, a full complement of 20 special law enforcement officers increases the ratio to one supervisor to three officers.

The team recognizes the need for supervision for each definable patrol and detective unit. The supervisors are required to maintain effective command and control and establish accountability for actions taken during a shift. The positions of lieutenant and captain, however, should bear close scrutiny. Presently, the department has four levels of supervision between the chief and the frontline patrol officer.

Recommendation:

In conjunction with the recommended patrol staffing study, we recommend the city request that the Division of Criminal Justice provide a recommended table of organization for the department. With more accurate information regarding the department's workload data and patrol staffing requirements, the city can implement a more effective table of organization.

Detective Bureau

A sergeant and a detective are assigned to both the juvenile and detective bureaus. The primary responsibilities of the bureaus are to conduct investigations of reported crimes and initiate investigations of major crimes. Due to the small size of the department, the detectives work

flexible hours as dictated by the bureau's particular needs. The department has a clearance rate of 28 percent. This rate compares favorably with a state and county clearance rate of 21 and 20 percent respectively.

The team reviewed the department's workload and found this function to be appropriately staffed. In evaluating local police departments, LGBR has developed a general benchmark consisting of the number of UCR (Uniform Crime Report) reportable crimes per detective. The city has a ratio of 149.5 cases per detective as compared to an average of 122 cases per detective in communities reviewed by the team.

The team commends the police administration for achieving a high clearance rate and for maintaining flexible operating procedures to accomplish its mission.

Criminal Complaints

Police officials related to the team that sworn police officers and not civilian court personnel issue summonses containing a criminal complaint. This occurs whenever there is an arrest by police officers that require a complaint. For efficiency purposes, a lower cost civilian employee rather than a more expensive sworn police officer should issue the Criminal Disposition Report (CDR). In 1998, the municipal court logged 511 CDR complaints. Based on the discussions with police officials, approximately 50% of these complaints occur during normal business hours when the municipal court is open.

Recommendation:

It is recommended the municipal court prepare criminal disposition reports during normal business hours. This practice will allow the city to utilize police officers in a more appropriate law enforcement role.

Productivity Enhancement: \$4,790

Towing

During 1998, the police department authorized approximately 80 vehicles to be towed from their highway due to public, health, safety and welfare issues. Currently, the city has no active regulations regarding towing and fees. In resort areas, towing regulations are an important feature in protecting vulnerable out-of-town visitors from excessive costs associated with vehicular breakdowns and accidents.

At the 1998 League of Municipalities convention, a comprehensive ordinance was distributed to allow municipalities to provide better oversight for this function. This ordinance included language regarding compensating the licensees for inspecting the vehicles, allowing owners to retrieve personal property from the vehicle and for additional documentation beyond the initial towing bill. The team has reviewed communities that have charge fees of \$20 for this administrative process.

Recommendation:

The team recommends that the township adopt a towing ordinance. Based on the assumption that the police department towed 80 vehicles, the township would realize \$20 for each tow or \$1,600 in revenues.

Revenue Enhancement: \$1,600

Grants

Over the past three years, the police department has not been very active regarding law enforcement grants. The team compared the city to other surrounding communities that have secured state and federal grants to offset their public safety expenditures. The team discovered that the surrounding communities that are eligible for shared services with the city are receiving state and federal grants for the police functions. The team suggests that the city take a more aggressive approach to securing these state and federal grants for law enforcement.

The city recently received a grant to replace 20% of the department's bulletproof vests each year. Utilizing this grant program, the entire police department personnel will receive new vests over a five-year period.

Alarms

Currently the City of Cape May has an alarm ordinance for fire purposes only. During the recent rectification of the codification process, the police alarms section was not submitted properly or ratified by the city. The police administration related to the team that there are approximately 500 alarmed establishments located within the city of Cape Mays. The police department responded to 890 alarms in 1998.

The city can amend the present alarm ordinance for the police department and include that the procedures be covered under N.J.S.A. 2A:58-1. Penalties under this type of administrative are processed by the police department rather than through the municipal court. This procedure would benefit the city by reducing overtime for police officers to testify in court for testimony on the cases.

Recommendation:

The team recommends that the township explore stricter enforcement of the false alarms. In addition, the township should attach a small one time nominal fee to connect, disconnect and register alarms within the community. This will create accurate records and ensure compliance with the ordinance. The present CAD system is unable to provide the team with an accurate record regarding the number of alarms and the average time spent on responses to calculate a productivity enhancement.

Revenue Enhancement: \$4,000

Traffic Congestion

Discussions with city officials indicated concerns over the level of traffic occurring during the peak months and the negative effects on the city's quality of life and ability to provide emergency response. During the review, the team observed a heavy concentration of traffic

volume. A comprehensive study by the city in conjunction with the county and state agencies would greatly assist in devising options for improved traffic management. It should be noted, however, that the city's limited access from the mainland (via two bridges) and its largely nineteenth century road infrastructure limit the city's options for improved traffic flow.

Several operational improvements may improve traffic circulation. As recommended earlier, the addition of civilian officers exclusively dedicated to parking enforcement will probably increase the turnover of parking spaces available to seasonal visitors. Another consideration for improved traffic enforcement is the assignment of patrol personnel to specified zones during unobligated patrol time. Patrol personnel should be evaluated on their traffic enforcement efforts through the utilization of CAD data.

Records Management

The record bureau personnel are located on the first floor of the department and provide a service to the residents for both walk-in or mail service. Under the present police administration, the record bureau provides a customer service approach to records and documentation.

It was related to the team that the city is not charging a fee for its police reports or attorney discovery requests. On some occasions, the city is incurring costs, such as faxing the documents to offices throughout the tri-state area. The city should adopt an ordinance for police fees. A fee schedule may be created as long as it is conducive to the one established by the Division of Public Law and Safety at NJSP Headquarters in West Trenton. Municipalities are allowed to set fees for these types of reports as long as they are reasonable. While the team was conducting its review, a copy of a fee schedule was provided to the police administration for this review and adoption for additional revenue enhancement.

Recommendation:

It is recommended the city establish fees for police reports and discovery requests.

Shared Services

The team believes substantial savings could be achieved through shared police services with the communities of West Cape May and Cape May Point. The close geographical proximity of these communities and the existing shared dispatching arrangement are important advantages for the successful implementation of consolidated police services. Presently, West Cape May provides police services for Cape May Point.

To illustrate the potential for shared services, the team noted that the two departments are physically situated one mile apart and city patrol cars must traverse the main thoroughfare in West Cape May to refuel their vehicles at the public works yard. With increased staffing available to devote to patrol and more supervisory and investigative resources, public safety in the smaller communities would be enhanced.

Recommendations:

It is recommended the city apply to the NJ Department of Community Affairs for a Regional Efficiency Development Initiative (REDI) grant. The REDI program provides financial assistance for the planning and implementation of shared services. In conjunction with the REDI program, the Regional Efficiency Award Program (REAP), is an additional financial incentive that provides a direct tax credit to property taxpayers.

It is further recommended the study for the staffing of the expanded patrol division incorporate a call for service demand model that differentiates both daily and seasonal variations in workload. The study should use not only the full-time patrol officers but also the seasonal Special Law Enforcement Officers (SLEOs) in calculating its personnel requirements. With accurate computer aided dispatch information, an optimum combination of full-time and seasonal staffing levels may be established to make this recommendation operationally and financially feasible to both communities.

COURT

While the team recognizes the separate authority and responsibility of the judicial branch of government, we make the following comments and recommendations to provide the city with information on current and potential operations, procedures and programs available to the court. Recommendations are made with the knowledge that further review and approval by the appropriate personnel is required.

Operations

The team observed a number of court proceedings, toured the facilities, and interviewed essential persons working in or directly associated with the municipal court. The court sessions observed by the team were conducted in an orderly and professional manner. The municipal court staff appeared knowledgeable and qualified.

The judge scheduled court sessions once a week from mid-October through the end of June. Due to the seasonal nature of this seashore resort, court is scheduled twice a week during July, August, September and half of October. There were 14 special sessions held in 1998. The typical docket consisted of 20 to 40 cases.

The court added 14,100 complaints in 1998. There were 13,589 traffic summonses and 511 criminal complaints issued during 1998. The traffic summonses consisted of 12,347 parking violations, 1,175 moving violations and 67 DWI summonses. They disposed of 13,973 complaints.

Finance

In 1998, the salary and wage expenditures for the municipal court were \$148,675. Overtime for court personnel was \$2,730. Other expenses totaled \$22,466. The salary and direct benefits paid

to the judge in 1998 totaled \$37,118. The judge did not receive medical benefits. Compensation paid for substitute judges due to illness or conflict of interest was between \$125 and \$150 per court session. A substitute judge presided over the court 12 times in 1998.

The overtime paid for 1998 totaled \$2,730. These hours are associated with callbacks for the deputy municipal clerk to sign commitments. In accordance with their collective bargaining agreement, the deputies are paid four hours for each callback. These callbacks require only a signature from the deputy, which could be obtained via a facsimile machine.

Recommendations:

A plausible alternative to reduce overtime would be for the court to adopt a “fax complaints policy” as authorized by the Supreme Court for instances when it is not expeditious to contact the judge. Such a procedure involves telephone contact with the administrator or deputy, faxing of the appropriate paperwork (prepared by the officer) to the administrator/deputy, and the administrator/deputy signing the paperwork and faxing it back. The morning of the next business day, the administrator/deputy can confirm all copies of the paperwork.

In addition, a new compensation policy for “callbacks” should be negotiated during the next contract renewal. Instead of a four-hour callback for each required commitment signature, we recommend a flat rate of \$10. The cost of two facsimile machines is approximately \$500.

Potential Cost Savings: \$1,810

During 1998, the court collected \$407,694 in revenue. The city retained \$285,926 of this revenue and disbursed the balance to state and county agencies. The court administrator maintains a Bail Account and a General Violations Account. Both accounts include criminal and traffic offense fines. Neither account is interest-bearing. The monthly bank reconciliations are prepared on a consistent and timely basis. All fines collected are transferred to the city, the county, and various state agencies, no later than the 15th of the month.

Recommendation:

The two municipal court checking accounts should be converted to interest-bearing accounts. We estimated that these accounts would have earned approximately \$2,400 in bank interest if the monies had been swept into interest-bearing accounts similar to the general operating account.

Revenue Enhancement: \$2,400

Organization/Staffing

During 1998, the municipal court had a staff of two full-time employees for the entire year, the equivalent of one full-time person for half the year and three part-time employees, as well as one judge. The full-time staff of the court consists of a court administrator responsible for the overall

management of the department and two deputy administrators. In May of 1998, one of the deputy clerks resigned and her replacement was not hired until November. In addition, there are two part-time violation bureau clerks and one part-time data entry clerk.

The judge presides over each court session, and is on call 24 hours a day to handle emergency matters that may occur. During court sessions, one staff person works at the bench monitoring the recording system and entering dispositions into the computer system. The remainder of the staff work in the office cashiering, preparing time payment applications, and processing papers for those sentenced to probation, community service, or attendance at the intoxicated driver resource center.

The court proceedings we observed did not start at the scheduled time but were approximately one hour late. On a typical day, the judge addresses the court at 9 a.m. reads the instructions and then allows time for defendants to speak with the prosecutor or public defender if they so desire. The courtroom was quiet and free of disruption. The municipal court staff was able to accommodate competing demands in a flexible and professional manner.

The police department provides security during court sessions by assigning an officer to each session. The judge's bench is equipped with a bulletproof shield. In addition, alarms are installed at the bench and in the court office. The county typically handles prisoner transportation. If a prisoner misses a meal due to being in court, one is provided by the police department, however this is uncommon and the expense is minimal.

Recommendations:

The city should consider hiring a retired police officer as a part-time bailiff for all court sessions at an estimated cost of \$10 per hour. Based on our review of the prosecutor's invoices, court sessions average about four hours for the Tuesday sessions. The Wednesday sessions held during the summer/fall season generally last two hours. This would require the bailiff to work approximately 170 hours per year at \$10 per hour. The average hourly position value for a sworn officer is \$32 per hour.

In addition, efforts should be made to commence court sessions promptly at the scheduled hour, thereby reducing the number of hours billed by the prosecutor.

Productivity Enhancement: \$3,740

Facilities

The municipal court and the court administrative offices are located on the basement floor of the city hall building, the same building that houses the police department and council chambers. The courtroom is small with a maximum occupancy of 49 and is not adequate to handle the court room capacity. In addition, the room is not handicapped accessible. Court sessions are held in council chambers when handicap accessibility is necessary.

Retention of Records

The records held for retention by the court staff are stored in a very small, musty room. The room is such that an adult can not stand upright in some parts of the room. Many of the records are stored in cardboard boxes which do not provide easy access.

Recommendation:

The New Jersey Division of Archives and Records Management (NJDARM) offers advisory services to municipalities regarding their retention of records. Cape May should contact the NJDARM concerning this free valuable service.

Case Management

The court receives summonses from a variety of agencies. These include the NJ State Police (NJSP), the NJSP Marine Division, the NJDEP Division of Fish, Game and Wildlife, NJ Transit Police, the zoning officer and the local police. The court administrator delegates entering complaints, scheduling cases, cashiering, and producing failure-to-appear notices and bench warrants to the staff. The staff appears to be well-trained and cross-trained in most areas.

The court operates the Automated Traffic System (ATS) and Automated Criminal System (ACS) from the state Administrative Office of the Courts. The ATS/ACS software provides elaborate record keeping and case tracking for the municipality and the state judicial system. The ATS has been in use since 1988, and the ACS since 1994. The staff appears knowledgeable in the various features and uses of the systems.

The current caseload per month per employee is 277 cases. Many factors affect the ability of a court staff to process cases. Foremost is the mix of parking, moving violation, and disorderly person (criminal) cases. For Cape May, it consists of 87% parking, 9% moving and 4% criminal/DWI cases. Other factors include the training, experience, and diligence of the staff. Cape May's caseload per employee appears low in comparison to several other courts we reviewed that averaged about 400 cases. These courts like Cape May are predominantly parking courts based on the mix of case types. The 1998 statistical ATS/ACS reports show the average case disposal rate was 99% indicating that the staff is effectively utilizing the ATS/ACS computer.

The police and court administration have good cooperation between their departments. This is important to the taxpayer because issues such as the transportation and housing of prisoners, scheduling of police officers for testimony, and processing persons into prison can cause significant overtime and staff frustration if not properly coordinated. We found the court schedule is coordinated with the police work schedule to minimize police overtime for court appearances.

Our review of the ATS monthly management reports for 1998 shows an average of 200 summonses issued each month by the local officers are not entered into the Automated Traffic System within the recommended four-day time frame. This is approximately 17% of all tickets

added during the year. Per review of the monthly reports, there is a backlog in May and June and again in October and November. Those interviewed reported that this was due to staffing limitations.

Not having summonses entered into the system timely may cause operational difficulties. Motorists may appear at the violation bureau to pay their fine before the court has entered a summons into the system. In order to accommodate the motorist, the court often processes the ticket using the motorist's copy. At times, the copy is difficult to read resulting in clerical errors that require additional time to correct.

The utilization of Parking Automated Ticket (PAT) machines could resolve this problem. These are automated hand-held ticket issuing devices and printers, which transmit parking violations information to the Automated Traffic System (ATS) via cellular phone technology. The parking enforcement officer, eliminating the need for a data entry employee in the municipal court, inputs information. These devices improve accuracy, provide detailed reports, and can identify vehicles with outstanding warrants immediately. The hardware, maintenance and training are provided by the AOC with no cost to the municipality. In order to qualify for this program, parking enforcement officers instead of police officers must generate the issuance of traffic tickets. This system should also serve to increase the caseload per employee ratio.

Recommendation:

In conjunction with the New Jersey Legislature's goal of improving the management, efficiency and effectiveness of municipal court operations, we recommend an integrated traffic ticket control system for the City of Cape May. The city should make application to the Municipal Court Services Division of the Administrative Office of the Court (AOC) to obtain Parking Automated Ticket (PAT) machines. Cape May should look to the neighboring community of Ocean City and its Office of Parking Regulation, which was established to qualify for eligibility in obtaining PAT machines. Identified cost savings are attributed to the elimination of the data entry function and the related salaries.

Cost Savings: \$9,185

Time Payments

From time to time defendants are unable to pay the fines assessed in court. In these cases, the judge may allow a defendant to make periodic payments or "time payments." In many courts, time payments become delinquent requiring aggressive follow-up by the court staff. In reviewing the time payment accounts of the Cape May Court, we found court personnel actively pursuing the collection of delinquent accounts, however total outstanding time payments have increased approximately 2% during 1998. The value of the time payments accounts as of December 1998 was \$102,931.

The Cape May Municipal Court may be a candidate for the Comprehensive Enforcement Program (CEP). CEP is offered through the Administrative Office of the Courts (AOC) by application. The program assists the courts in locating defendants who failed to make the

required payments and have not responded to collection methods. It is estimated that 20% of the uncollected delinquencies may be located and payment made. According to the legislative guidelines regarding this program, the CEP retains 25% of the amount collected.

Recommendation:

The city should consider filing an application with the Administrative Office of the Courts (AOC) to participate in the Comprehensive Enforcement Program for the collection of delinquent funds.

Credit Card Payments

Recent revisions to the rules governing the administration of the NJ Court system permit municipal courts to accept credit cards for most payments due to the court. Cape May has not yet adopted the use of credit cards in the court. Using credit cards could minimize the number of time payment applications. This would save the administrative time needed to process the time payment applications as well as provide a more timely receipt of cash.

Recommendation:

The municipal court should consider accepting credit cards for municipal court payments.

Failure-to-Appeal Notices

During the period reviewed, the court did not always produce and mail failure-to-appear (FTA) notices promptly after each court session. Based on our review of the Automated Traffic System (ATS)/Automated Complaint System (ACS) Reports, 15% of the FTAs were not mailed within 14 days. Timely mailing of these notices is an important feature for both the enforcement of summonses to appear and for the internal financial controls of the court.

Recommendation:

Failure-to-appear notices should be generated and mailed on a consistent, timely basis.

PUBLIC DEFENDER

The Municipal Public Defenders law, N.J.S.A. 2B:24-1 et. seq. requires each municipality to hire a public defender. Cape May has contracted with a law firm to provide this service. The law also provides that the city may charge an application fee of up to \$200 for those requesting a public defender. The fee in Cape May is \$50. The city is to use the fees to offset the costs of contracting a public defender including expenses relating to expert witnesses, and discovery. During 1998, the judge granted 93 requests for the public defender, which generated revenue of \$4,650. Since most defendants who are assigned a public defender participate in the time payment program, the city did not realize this entire amount in 1998. Public defender fees collected were \$3,109. In Cape May, it is uncommon for the judge to question the defendant on the record, concerning the defendant's financial status. The defendant is, however, required to

complete a financial information questionnaire, a one-page report that does not require substantiation. Some defendants may be more forthright regarding their financial status if they are obliged to testify in court.

The current public defender has served the city for three years. The city paid the public defender \$7,500 during 1998 for handling all cases assigned. The public defender does not receive health, sick leave, or vacation benefits. There is no "other expenses" budget for the public defender, and a review of the vendor summary indicates there were no expenses such as witness or discovery fees for 1998. However, there were expert witness expenses in 1999.

The public defender appears at two court sessions per month and interviews clients on two afternoons per month. In addition to the time spent in court, the public defender also meets with clients either at his office or in City Hall. The public defender reports that about 90% of his clients request a meeting. Based on the assignment of 93 cases to the public defender in 1998, the average cost per case was \$81. Additionally, the cost per session was \$312.

In addition to requiring the municipality to appoint a "municipal public defender," the Municipal Public Defenders Law also addresses the application fee levied by the judge. N.J.S.A. 2B:24-17(b) states that, "Funds collected pursuant to subsection a. of this section shall be deposited in a dedicated fund...." The city does not maintain a trust fund for public defender fees.

Recommendations:

We recommend that the governing body amend the ordinance which stipulates the application fee for representation by the municipal public defender. This amount should be increased from \$50 to \$150 to cover the salary of the public defender and any expert witness fees. In determining this fee, consideration should be given to the fact that due to time payments, only about 2/3 of the application fee was collected in 1998.

Revenue Enhancement: \$6,235

In addition, the judge should consider questioning defendants requesting the services of the public defender on the record, concerning their financial status. This may reduce the number of defendants utilizing free legal counsel who have no financial hardship. This would also afford the judge the opportunity to reduce the \$150 application fee if he deems it appropriate.

The city should consider reducing public defender sessions to once a month since there are only three to four cases per session. This would result in approximately seven to eight cases per session which is a very reasonable workload. By reducing the number of court sessions, a lower compensation structure can be established. We choose not to quantify these savings since they will be determined by contract.

The municipality's chief financial officer should establish and administer a trust fund for public defender application fees as outlined in N.J.S.A. 2B:24-17.

PROSECUTOR

City council appointed the prosecutor to present municipal complaints to the court. The prosecutor at the time of this review has been serving the city for 10 years. During the team's review, the prosecutor was present for each court session, prepared for his cases, and was ready to proceed on all matters. The prosecutor plea bargains a significant volume of the cases in consultation with the complaining officer and the defendant. This serves to expedite the court docket.

One of the duties of a prosecutor is to assist with the record management pertaining to the discovery process. Accordingly, when a case involving a city police officer goes to trial, the defending attorney requests a copy of the police file concerning the case. Typically, the prosecutor reviews the police file and approves the items the police may release to the defense attorney. The police record bureau makes the copies and mails the documents to the defense attorney. The police department established a \$10 fee in conjunction with the municipal prosecutor. We discuss the fee and the authorization of this fee more fully in the police section of this report. In addition, the prosecutor handles some probable cause situations.

The prosecutor has a one-year professional contract. The current terms of the contract provide compensation at the rate of \$120 for the first hour of each court appearance and \$100 for each additional hour. The contract did not address billing for non-court appearances, however, the city was billed at the above rate structure for all legal services rendered. Based on review of the vendor activity report, the prosecutor was paid \$39,309 in 1998.

We reviewed the prosecutor's invoices, corresponding purchase orders and the vendor activity report for 1998. There were 50 regular court sessions in 1998 for which the prosecutor billed \$21,770. (The extra sessions scheduled during the summer months were first appearances and did not require the presence of the prosecutor.) This resulted in an average cost per case of \$435. Based on review of the Special/DWI sessions, the prosecutor handled 16 matters and billed \$16,382 for various legal services. Per case, the cost of providing a prosecutor for matters associated with Special/DWI sessions was \$1,024.

Based on our analysis and recalculation of all invoices, it was determined that 55% of billings represented regular court sessions. Special sessions and DWI cases accounted for 42% of the fees and the remaining 3% were billing and payment errors. The billing and payment errors consisted of 12 improperly calculated hourly rates as well as two invoices that were paid twice by the city.

In Ocean City, the prosecutor earns \$20,000 with health benefits. This court is approximately twice the size of Cape May in terms of caseload. Based on our review of other communities, the prosecutor appears to be overcompensated.

Recommendations:

The prosecutor's contract should more clearly define the scope of services and contain a fee schedule. The current contract specifies hourly rates for court appearances. It should also specify the hourly rate for non-court appearances such as research, drafting briefs and general court preparation.

In addition, the city should consider issuing a Request for Proposal (RFP) for the professional services of the prosecutor. In determining cost savings, we conservatively identified \$10,000. We feel that an aggressively negotiated contract could yield even greater savings.

Cost Savings: \$10,000

Furthermore, the municipal administrator should verify the clerical accuracy of the prosecutor's invoices as well as confirm the number of hours billed.

FIRE

Overview

The provision of fire services has been the frequent topic of discussion among city officials. The department has experienced several changes in leadership over the past year, changing from a volunteer chief to a paid chief. As in many New Jersey communities, the city's recruitment and retention of active volunteers has become increasingly more difficult. The long-term viability of the volunteer organization has significant financial consequences for the provision of cost effective fire services.

Planning for fire protection must incorporate several unique risk factors. The city's geographic position, situated on a narrow peninsula and separated by a canal from the mainland, limits its options regarding mutual aid. The city's considerable inventory of older Victorian homes comprises an increased fire danger because many of these structures predate modern fire codes. Several high rise buildings constitute additional risks that require the city to maintain ladder assets for response.

The full-time firefighters also provide Emergency Medical Services (EMS) to the city as well as to the neighboring communities of West Cape May, Cape May Point and portions of Lower Township. The city has instituted billing for this service and revenues have grown considerably over the past four years.

Organization

The department is a hybrid organization consisting of both paid and volunteer firefighters. Presently the full-time paid department consists of 10 firefighters. The firefighters work a 24-hour shift and receive 48 hours off. Each shift consists of a lieutenant and two firefighters. Supervising the paid element is a full-time fire captain. During the review, the captain was appointed acting chief of the department. Previously, the fire chief of the department was selected from the volunteers.

In addition to the full-time firefighters, the department has several part-time firefighter/EMTs. These employees augment the full-time staff and fill in for vacancies as the need arises. In 1999, the city has been very successful in reducing overtime expenses through the use of part-time rather than full-time firefighters to fill vacancies.

For fire emergencies, volunteers are summoned to provide the bulk of the fire response strength. A review of the department's roster of volunteers indicates a total of 31 volunteer firefighters, although many of these individuals are not active. Discussions with both volunteer and paid firefighters found concerns with the morale of the volunteer organization and its ability to respond in adequate numbers to major fire events.

Financial

In 1998, total expenditures for fire services and EMS for the city were \$983,109. Of this amount, \$924,784 was for salaries and benefits, \$33,325 for other expenditures and \$15,000 for aid to the volunteer fire company. Revenues collected by the city were \$207,998 for EMS billing and \$19,383 for inspection fees.

Volunteer Recruitment and Retention

Numerous city officials expressed concerns over the future viability of volunteer participation in the city's fire services. Discussions with paid and volunteer firefighters indicated that the volunteers were experiencing low morale and declining recruitment and retention. Concerns were also raised about the ability of existing volunteers to respond in sufficient numbers to fire calls and scheduled training events. Excluding paid personnel, attendance of volunteers for required drills and fire calls averaged 55.5% in 1998. Additionally, 13 of the 28 volunteer firefighters had attendance records of 50% or less.

Interviews with city officials identified several factors that have contributed to reduce participation of volunteers in the city's fire service. Recent turnovers in leadership and interpersonal problems contributed to the low morale of volunteers. The changing demographics of the city to an older, retired population has reduced the pool of potential volunteers. As with many communities in New Jersey, the difficulties in reconciling work responsibilities with volunteer duties has also created problems with recruitment and retention.

Recommendations:

It is recommended the city make a concerted effort to recruit and retain volunteers. The cost to staff a fully paid fire department would be a tremendous financial burden to the city. The team has several recommendations for the revitalization of the volunteer fire service:

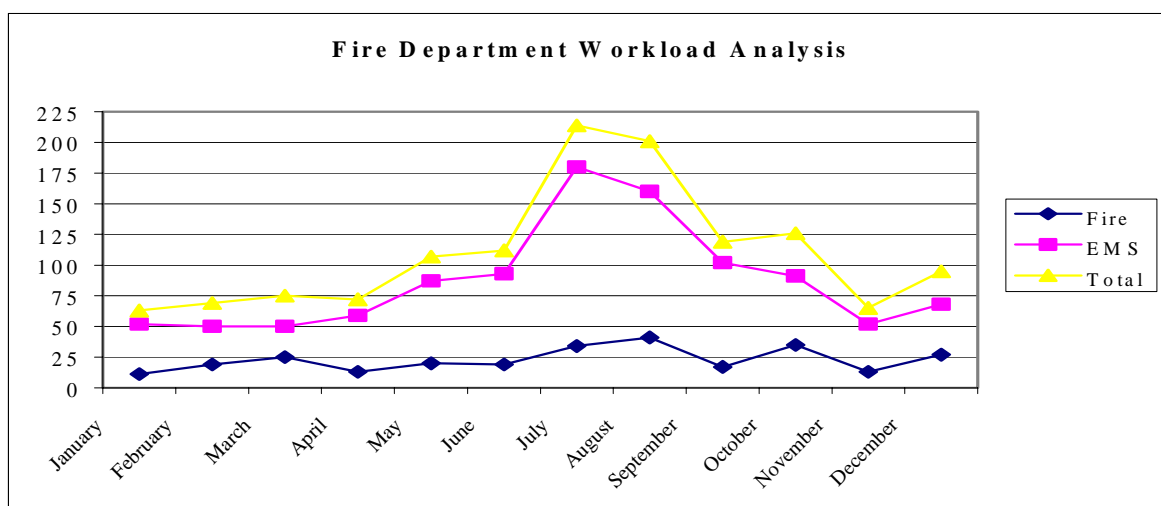
- 1. Several city employees are volunteer firefighters. The city should encourage more employees to become volunteer firefighters and allow them to respond during working hours. The physical duties of the public works and utility employees make them ideal candidates for volunteer firefighters.**

2. The city should conduct outreach efforts to business organizations and major employers to encourage them to allow employees to become volunteer firefighters.
3. The city should consider offering financial incentives for volunteers through the Length of Service Award Program (LOSAP). This program allows the city to provide tax deferred income benefits for volunteers in return for active participation in volunteer emergency services. Municipalities may contribute between \$100 and \$1,150 annually to active volunteers.
4. To improve volunteer morale, the city should consider supporting greater efforts to recognize volunteer efforts. Some communities arrange volunteer celebrations in which local businesses donate food and labor to conduct these events. Additionally, the city should investigate ways to address liability concerns for the volunteer organization to hold social events in the common area of the fire station. These efforts would restore the social dimensions that are critical to maintaining healthy volunteer organization.
5. The city should consider pooling its volunteer resources with the neighboring communities of West Cape May and Cape May Point. This action would allow all three communities to address volunteer staffing shortages on a regional basis.

Workload

The largest single component of the department's workload is emergency medical services. In 1998, the department responded to a total of 1,318 calls of which 1,044 were for emergency medical services and 274 were fire related. In 1998, the department averaged one fire call for every 31 hours and one EMS call every 8.3 hours.

Due to the seasonal influx of residents, the heaviest distribution of the workload occurs during the summer season. The following graph illustrates the uneven distribution of fire and emergency medical calls between the peak summer and low winter seasons:



A further analysis of the department's fire workload indicates a relatively low number of actual fire incidents. The fire summary report for 1998 and the first nine months of 1999 indicated a total of six and eight actual structure fires respectively. The table below shows the distribution of fire responses among several categories of incidents:

Type of Situation	1998	1999 (9 months)
Fire/Explosion	31	22
Overpressure/Rupture	8	6
Rescue	1	21
Hazardous Condition	47	45
Service Call	8	4
Good Intent Call	18	39
False Call	93	56
Other Situation	9	-
Total	215	193

After analyzing past reviews of other municipal fire departments, the team concludes the cost of maintaining a full-time firefighter/EMT force is high in light of the relatively low workload of the city. In many southern New Jersey communities, emergency medical services are usually provided by volunteers or paid municipal ambulance squads at a considerably lower salary scale.

Recommendations:

The team has devised several options that attempt to provide more cost-effective management of the city's fire and emergency medical services. Implementation of these strategies is contingent upon several variables occurring, the most important being the revitalization of the volunteer component of the fire department. As in all public safety matters, thorough planning of all major operational changes must be made before any of these recommendations can be implemented.

1. **Creation of a Municipal Ambulance Squad:** It is recommended the city consider a reorganization of the fire-EMS squad to better align job classifications to workload. Emergency medical services constitute over 79% of the workload but are being performed by firefighters with a much higher salary scale than the norm in the region. Reviews of paid municipal ambulance squads in southern New Jersey indicate wage ranges of generally less than \$9.00 an hour for EMTs with no health benefits. A review of the part-time EMT rates paid by the city indicated a range of \$7.00 to \$10.25 per hour.

The savings would be considerable if the city formed a separate ambulance squad. Currently, full-time firefighters have an average hourly wage and benefit cost of \$27.53 per hour. Providing 24 hour EMS coverage presently costs the city \$482,325 under the current system of using firefighters-EMTs. Assuming a competitive wage and benefit cost for a municipal ambulance squad of \$12 per hour, providing two EMTs for 24 hours a day for 365 days would cost approximately \$210,240 per year.

The team projects savings of approximately \$272,125 through the implementation of this recommendation. Due to the many variables involved in forming a viable volunteer organization, these savings are not included in the executive summary and spreadsheet.

2. **Inspections:** As a means of subsidizing the cost of the fire service through fees rather than local taxes, the city may wish to transfer the fire subcode inspection function from the city's construction office to the fire department. This would produce savings by reducing the number of paid hours of the present fire subcode inspector. Local Government Budget Review has reviewed a community where the fire department had incorporated fire subcode inspections into their regular workload. The department already has a firefighter/fire official assigned to the department and the addition of a fire subcode function to the department's duties would further familiarize the fire service with the structures of the city.

In 1998, the department performed 150 life hazard inspections in the city. Discussions with fire personnel indicate that the department is planning to initiate non-life hazard inspections in addition to its present practice of performing life hazard inspections. The addition of these non-life hazard inspections should enhance fire protection in the city and allow a greater subsidization of fire services through fees rather than general tax revenues.

Cost Savings: \$41,896

3. **Reevaluate Mode of Fire Service Delivery:** Many communities evaluated by LGBR have volunteers transport all apparatus to the fire scene without the aid of paid employees. Some municipalities, such as the Borough of Sea Girt, are very similar in demographics and service area. Should the city succeed in recruiting and retaining sufficient numbers of volunteers, it may elect to eliminate its paid complement of full-time firefighters or reduce them to part-time or seasonal status. One option to consider is the use of seasonal hires to handle the peak summer workload and revert to exclusively volunteer and part-time staffing for the off season.
4. **Shared Services:** It is recommended the city and the Borough of West Cape May consider shared fire services. The close proximity of the Borough of West Cape May (approximately one mile distance between fire stations) makes shared fire services a natural option for both communities. As in many New Jersey communities, the small size and high density of municipalities in a geographic area often create a greater concentration of fire apparatus than is needed. The city already provides dispatching and emergency medical services to West Cape May. A possible formula for contracting fire services could incorporate a fee schedule based upon yearly calls or proportion of total structures in the new service area.

As indicated in the volunteer portion of this report, the pooling of volunteer resources from both communities may reduce or eliminate the need for full-time firefighters.

Management Control and Reporting

The city has automated its incident reporting system and other fire reports. Due to the changes in personnel, the team observed that the manually maintained training records, standard operating procedures and maintenance programs were sometimes incomplete or poorly maintained. At the time of the review, the new leadership was attempting to better organize this information. Proper documentation of volunteer and paid activities is not only an important management tool but also it reduces the city's liability exposure arising from the activities of its emergency personnel.

Recommendation:

It is recommended the city closely monitor the improvements in the department's management controls. The computer equipment in the fire station's administrative area and paid supervisory personnel should be better utilized to meet this goal.

Fire Apparatus

The city's fire apparatus appears to receive proper operator level maintenance. Higher level maintenance is either outsourced or referred to the public works maintenance garage. Discussions with fire employees indicated some problems with scheduling preventive maintenance with the city's in-house maintenance section. These problems are addressed in the fleet maintenance section of this report.

During the review, the city has one ladder truck and three engine pumper units. The Insurance Services Office *Fire Suppression Rating Schedule* sets a standard that a built-upon area of the city should have one first-due engine company within 1½ miles and a ladder service company within 2½ miles. Adjusting for reserve requirements, it appears that the department has sufficient fire assets to respond to fire threats. Additional fire apparatus is available from the adjacent coast guard base and Borough of West Cape May through mutual aid.

Recommendation:

It is recommended the city explore the possible joint purchase of a ladder apparatus with the Borough of West Cape May. Both communities have ladder trucks that are already approaching the end of frontline service as established by the National Fire Protection Association (NFPA). The NFPA handbook provides a standard of a maximum of 25 years for a frontline fire apparatus. A ladder truck is a very expensive purchase, sometimes exceeding \$500,000 to procure.

EMERGENCY MANAGEMENT

Overview

The city is a coastal community located in extreme southern Cape May County. It is separated from the mainland by the Cape May canal and is surrounded by the Atlantic Ocean and by neighboring communities of West Cape May, Lower Township, and Cape May Point. With two and one half miles of beachfront, the city is susceptible to wind and water damage resulting from

coastal storms that occur during the winter and from summer tropical storm systems. The permanent population is approximately 5,000 and it increases to approximately 50,000 during the summer tourist season.

Cape May has participated in the National Flood Insurance Program since 1972. Also, the city entered into the Community Rating System Program in October, 1994 and is currently classified as a class 8 community. The Federal Emergency Management Agency has classified the entire city as a special flood hazard area.

Staffing

In accordance with state statute, the city has appointed an emergency management coordinator. Presently, the individual serving in this position is also the superintendent of public works. For these additional duties, the individual received a stipend of \$6,000 during 1999. The city has also established the position of deputy emergency management coordinator. The person currently in this title is a former city employee who retired from service at the end of 1998. The deputy emergency management coordinator was paid \$4,000 in 1999.

Consistent with state requirements, the city has established an emergency management council. The objective of the council is to bring together a cross section of the community to assist the city in developing, maintaining and improving its emergency operating plans. When the team requested a list of members of the council, the city supplied a list that was obviously outdated. Not included in the membership of the council were the current emergency management coordinator and the deputy emergency management coordinator. Also, certain titles of individuals found on the list need to be updated to reflect their current duties and responsibilities. In addition, the city should consider increasing membership on the council to include representatives from the public and private schools, the coast guard base, the housing authority, and the business community.

Recommendations:

The team recommends the city should consider appointing a full-time employee as an additional deputy emergency management coordinator. State guidelines recommend that this position be filled by a full-time, paid employee of the municipality. The team recommends that a member of the paid fire department be considered for this position. Fire personnel already have considerable training in emergency related operations and incident command.

In addition, fire department personnel most likely will be heavily involved in handling any type of emergency situation that the city should encounter.

The team recommends that the city review and update the membership of the emergency management council. Included in this review should be the appointment of the emergency management coordinator as the chairman of the council. Also, the team recommends that the city request representation on this council from the board of education, the coast guard base, and the local housing authority and from business organizations such as the chamber of commerce or the bed and breakfast association. The team feels that the city needs to expand the size of the council to represent all significant elements within the community.

Emergency Operations Plan

Consistent with state statute, the city has a state approved emergency operations plan. The plan will require its quadrennial re-certification by February, 2000. At the time the team was in the city, the municipal emergency management coordinator was in the process of updating the plan. To assist in this time consuming process, the coordinator was seeking input from the staff at the Cape May County Office of Emergency Management. The team encourages the municipal emergency management coordinator to seek guidance and advice from other organizations involved in emergency management. This type of assistance can only enhance the effectiveness of the plan.

According to county emergency management officials, both schools located in the city also have emergency operations plans on file at the county. The Cape May City elementary school and the Lady Star of the Sea School have formalized their emergency operating procedures by adopting an acceptable plan. The team commends both the city and county for establishing emergency plans for the two schools physically located in the city.

In addition to the schools, the city has a housing authority that manages various types of public housing facilities. Of particular interest to the team is a six-story facility that houses mainly senior citizens. As with any large concentration of senior citizens, many special needs potentially exist that require the attention of emergency management officials.

Recommendations:

The team commends the city for having a state approved emergency operating plan. During the ongoing re-certification process, the team encourages the municipal emergency management coordinator to seek guidance and advice from outside organizations involved in emergency management. This type of assistance will increase the overall effectiveness of the plan.

The team commends both the city and the county in establishing emergency operating plans for the two schools located within the city boundaries. The team emphasizes the need for both city and county emergency management officials to periodically review and update these plans accordingly. In addition, as previously stated, a representative from both schools should be appointed to the municipal emergency management council.

The team recommends that the city develop an emergency operations plan for Victorian Towers. It is important that an assessment of the special needs of the senior citizens living in this facility be addressed in this plan. The city should seek the assistance of the county emergency management office and any other outside agency in developing this plan.

National Flood Insurance Program

The city has participated in the FEMA administered National Flood Insurance Program since 1971. At the time of the review, the city had 2,371 policyholders insuring over \$334,360,000 in property. A total of 329 flood insurance claims have been submitted since 1978, with 121 of these claims representing repetitive losses.

In addition, the city has enrolled in the Community Rating System (CRS) program, which encourages communities to practice sound floodplain management activities by providing discounts on flood insurance premiums. Part of the requirements of this program includes the preparation of a Repetitive Loss Plan. The Repetitive Loss details how the community intends to achieve the three major objectives of the CRS program which are a reduction of flood loss, to facilitate accurate insurance ratings, and heighten awareness of flood insurance. The city prepared their initial Repetitive Loss Plan in 1994. During the review, the city completed the required update of the plan. A professional consultant assisted the city in the preparation of the updated plan at a cost of \$3,000. In accordance with FEMA regulations, the plan was approved by council and filed immediately with the National Flood Insurance Program. As of October, 1999, the city was recognized as a class 8 community that entitles policyholders to a 10% discount on flood insurance premiums.

The team commends the city for participating in this voluntary program, which saves its residents approximately \$123,835 in insurance premiums. The team encourages the city to take the necessary steps to earn sufficient points needed to be recognized as a class 7 community. A class 7 community is entitled to a 15% discount on flood insurance premiums. The team feels that existing city resources could be utilized in attaining this goal. Much of the work needed to achieve class 7 status involves enforcement of existing building and floodplain management regulations, drainage system maintenance, community outreach activities and public awareness programs involving the hazards and dangers of flooding. The team feels that existing staff should be able to accomplish this goal if the city makes the community rating system program a priority item.

Recommendations:

The team commends the city for participating in the Community Rating System and providing its citizens with a 10% discount on their flood insurance premiums.

The team encourages the city to develop a plan that would earn the necessary points to be classified as a class 7 community in the Community Rating System. This would afford city residents a 15% discount on their flood insurance premiums. Existing staff could be used to accomplish this goal.

Facilities and Equipment

The city maintains a small emergency management office located in the fire department building that is immediately adjacent to city hall and the police department. This small office also serves as an operations center during times of emergency events. This room is equipped with a number of chairs and tables, in addition to some radio equipment. Emergency power supply is available on site to insure uninterrupted operations. According to the municipal emergency management coordinator, during emergency situations, municipal resources are directly utilized to handle any needs that should arise. Municipal vehicles and staff are used to prepare, respond to and recover from storms and other emergency situations.

Also, county emergency management can acquire additional county and state assets if conditions warrant. Examples would include utilizing county sheriff officers to staff access points, using large national guard vehicles to relocate individuals and using state department of transportation assets to clear state roads leading in and out of the city.

One piece of equipment that the city could utilize is an auto dialer. According to the municipal emergency management coordinator, the city attempts to contact citizens residing in certain low lying or vulnerable areas of the community to warn them of potential flooding conditions. This notification is performed manually by calling each individual citizen. This is a very labor intensive, time-consuming task, which utilizes municipal resources in an inefficient and wasteful fashion. To enhance this process, the team recommends the city purchase an auto dialer. This technology automatically dials the preprogrammed numbers until the phone is answered. Once answered, the dialer provides a recorded message advising the resident of pending emergency conditions. The cost of this unit is approximately \$5,000.

Recommendations:

The team commends the city for maintaining a working relationship with the Cape May County Office of Emergency Management. This beneficial relationship allows the city to acquire needed county and state assets during emergency situations, in addition to providing the city with guidance and direction in handling municipal emergency management issues.

The team recommends the city purchase an auto dialer to assist in notifying residents in flood-prone areas of the city of possible hazardous conditions. The city should solicit the support of county emergency management to determine if any financial assistance is available in purchasing this equipment.

One-time Value Added Expense: \$5,000

Emergency Access Ordinance

During the course of the review, city council approved an ordinance, which limits access to the city after a natural disaster. The recently adopted ordinance mandates that access to the city be restricted to only property owners after an evacuation. According to the ordinance, the property owners must show a municipal recycling sticker in order to gain access to the city. The team endorses this type of ordinance, which restricts access to a community after a disaster. All too often, sightseers will come to the community to witness the damage. These non-property owners impede the ability of the community to perform recovery operations. Traffic congestion problems usually occur as a result of visitors coming to a disaster area. To handle this traffic the community ends up utilizing limited municipal resources that should be devoted to recovery operations.

The team does have a concern that not all property owners of the city are aware of this new ordinance and the need to have recycling stickers to gain access to the community. It is recommended that the city conduct a public awareness campaign consisting of placing notices in the property tax mailings in addition to utilizing the local government access channel.

Additionally, local professional and civic organizations can be used to heighten awareness of the requirements of this ordinance.

Furthermore, the team does feel that consideration should be given to allowing a valid driver's license, current military identification, a voter registration card, or even a current property tax bill as alternative forms of identification. The team believes that the city should permit some flexibility with accepting various forms of identification that demonstrate residency. There could be some legitimate situations where individuals are residents of the city, but did not have an opportunity to obtain a recycling sticker or misplaced the sticker during the rush to prepare for the disaster. Also, a certain segment of the population may not have access to a vehicle and thus, have no need for a municipal recycling sticker.

In addition, the municipal emergency management coordinator should make sure that this ordinance is incorporated into the municipal emergency operations plan that is currently being updated for state review and approval.

Recommendations:

The team commends the city for establishing an ordinance, which restricts access to the community after a natural disaster. This will allow the city to perform necessary recovery operations without having to be concerned with traffic congestion caused by sightseers.

The team recommends that the city notify residents of this ordinance and advise them of the need to obtain a municipal recycling sticker. This notification can be accomplished with the mailing of the tax bills and by utilizing the local government access channel. In addition, local professional and civic organizations can be utilized to disseminate this information.

The team recommends that consideration be given to permitting alternative forms of identification besides a municipal recycling sticker. The team recommends a valid driver's license, a military identification card, a voter's registration card or a current property tax bill be accepted by the city as proof of residency.

The team recommends that the municipal emergency management coordinator incorporate this ordinance into the municipal emergency operations plan.

Emergency Management Events

While in Cape May, the team had a unique opportunity to view the certain weather conditions that required an emergency management response. During the last week of August, Hurricane Dennis caused rough surf, strong winds, and generally rainy weather. On September 16, 1999, Hurricane Floyd passed within 100 miles of the coast of New Jersey. As a result, hurricane warnings were issued for the New Jersey coast. Based on limited observations and discussions with the municipal emergency management coordinator, it appears that a proper and appropriate response was provided by the city.

With Hurricane Dennis, the overriding concern was the rough surf generated by the storm along with advising all the visitors in the city of pending weather conditions. In a community with a tourist-based economy, a delicate balance between protecting the general public and recognizing the adverse economic impact of overly alarming the public must be achieved. City officials handled the situation appropriately by raising the awareness of the public to the storm, but not causing undue alarm or panic. Additionally, the beach patrol did a commendable job in controlling the beachfront.

At one point during its existence, Hurricane Floyd posed a definite threat to the New Jersey coast. Hurricane warnings were posted during the early morning hours of Thursday, September 16, 1999. With the issuance of hurricane warnings, a coastal community must immediately take the necessary steps to protect life and property. According to city officials, staff was advised of the pending weather conditions and modified work schedules to respond to storm conditions. Schools and some businesses were advised to close for the day. City property was secured and the beachfront was prepared for high surf conditions. Municipal vehicles were readied and the city maintained direct communications with county emergency management officials. Fortunately, the hurricane weakened and there was minimal damage.

One area in which the team felt there could be improvement in the way the city handles emergency situations is communications. Utilizing technology and community resources could strengthen both internal and external communications. The team observed confusion among city staff with how to advise the public to properly prepare for the impending storm during Hurricane Floyd. The team felt the emergency management coordinator could have been more proactive in providing timely information on the status of the hurricane along with recommendations on any necessary precautions that should be taken. To address this concern, the team feels that the municipal emergency management coordinator should prepare storm advisories tailored to the specific needs of the community. Then utilizing either a computer or a standard fax machine could electronically transmit these storm advisories. These advisories could be sent to all city offices so that staff is aware of the storm and any necessary precautions their particular office should take.

Equally as important is sending these storm advisories to external parties. The city should make arrangements with major community organizations and groups in order to utilize their resources to disseminate this information. Organizations such as the local schools, the housing authority, major commercial properties and business-oriented groups could receive these advisories and distribute them among their membership. This is especially important during the summer months when a large tourist population is unfamiliar with the impact that a storm can have on the city. The city should send these notices directly to lodging establishments where they can be posted in highly visible locations. These notices could greatly assist in reducing unfounded fears among and minimizing the number of phone calls to municipal offices inquiring about the approaching storm. The team recommends the city acquire a standard fax machine that is capable of having phone numbers preprogrammed for rapid transmission of this information.

Also, the team believes that the city should investigate the utilization of the local government access channel in providing storm-related information to the community. The team does realize that some residents might not have cable access and that this communication system is rendered

useless during times of power outages. However, this means of communication can prove very effective prior to the actual onset of the storm by advising residents of forecasted weather conditions along with the necessary precautions they should take. The city would have to seek the cooperation and the assistance of the local cable access provider to implement this program. The team provided the municipal emergency management coordinator with examples of how another coastal community utilized their local government access channel during emergency conditions.

Recommendations:

The team commends the city and the emergency management office for the proper and appropriate response to the Hurricane Dennis event of August, 1999 and the Hurricane Floyd event of September, 1999.

The team recommends the city create the position of public information officer (PIO) to issue advisories and press releases during emergency events. At the direction of the emergency management coordinator, the PIO would be responsible for dissemination of all public information related to emergency events. The delegation of these duties to the PIO would allow the emergency management coordinator to concentrate on operational issues for better response to emergency events. The newly created position of administrator should be appointed as the PIO. The PIO is a vital member of the emergency management team and should take an active role in planning and training for emergency events.

The team recommends the city consider improvements to its emergency management notification system. Items that should be examined are enhancements in the manner in which it advises the community of pending emergency conditions. It is recommended that the municipal emergency management coordinator prepare timely storm advisories which should be sent to internal and external parties. This could be accomplished by utilizing a standard fax machine that is capable of having a large amount of fax numbers preprogrammed so that all faxes can be sent simultaneously. The city should seek the cooperation and support of major external organizations in disseminating these storm advisories to their membership and the general public.

One-time Value Added Expense: \$350

The team recommends the city utilize their local government access channel to advise residents of pending emergency conditions along with the necessary steps that should be undertaken to protect life and property. The city would have to seek the cooperation and assistance of the local cable access provider to implement such a public notification program.

PUBLIC WORKS

Organization

The public works department has 28 full-time, two part-time and five seasonal employees. The department is responsible for the maintenance and cleaning of streets, public buildings and land, parks, playgrounds, beaches, the pedestrian walking mall, the promenade and boardwalk, storm sewer system and the repair and maintenance of all the city motor vehicles. The department is presently organized into four distinct divisions consisting of buildings and grounds, recycling, traffic maintenance and streets and roads. In addition to the divisions, an administrative section provides supervision and clerical support to the line divisions.

Financial

The cost of public works services, including buildings and grounds, recycling, traffic maintenance and streets and roads in 1998 was \$1,623,224. Of this amount, \$986,474 was for salary, wages and direct benefits and \$636,750 was for other expenses.

Operations and Management Control

The department's workforce is very flexible in providing the wide-range of services required for a resort community. Specifically, public works provides support to numerous private and public sponsored special events, beginning in March and continuing through December. Typically, these activities require pre-event set-up and post-event clean up. These types of activities, plus the large number of seasonal visitors, dictate work schedules that vary and fluctuate from the normal working hours of municipal government. For example, the beach cleaning operation begins at 11:00 p.m., the beach recycling and trash collection at 4:00 a.m., and the seasonal restroom cleaning at 7:00 a.m. Additionally, there is no central location for reporting to work, as many individuals report directly to the job site and complete a manual timesheet. While management and the workforce have been capable of performing these tasks, the accountability of the staff has been marginal.

Recommendation:

It is recommended that the public works department install a time clock to record the exact time that the employees report to work. Further, the time clock at the public works facility will assist management in monitoring the work activity of the staff and will assist in the deployment of the work crews.

Staffing Reorganization

The department presently consists of five divisions: administrative and clerical, public buildings and grounds, recycling, traffic maintenance and streets and roads. In addition to the department superintendent and supervisor, there are assistant supervisors of buildings and grounds, traffic maintenance and streets and roads. These five supervisors are directing the activities of 23 full-time, two part-time and five seasonal employees.

The team's analysis of the department's operations indicates a high level of overtime expenditures and an excessive use of higher title employees performing lower level tasks, especially during weekends. Heavy use of overtime is used for the seasonal operations of

restroom cleaning, beach cleaning, trash collection, recycling and the janitorial services of the public buildings. Additionally, the team observed many employees completing their job functions without adequate supervision.

Furthermore, when the work was completed, no supervisor consistently monitored or inspected the job for completeness or quality. This is attributed mainly to the fact that much of this work is completed during off-hours.

Recommendations:

The team has recommended a restructuring of public works to provide a more flexible workforce to respond to the wide seasonal variations in workload. The following recommendations will allow the city to realize significant cost savings and better supervision of its operations.

Staffing

The team's staffing recommendations include reducing the number of full-time employees and increasing the number of part-time and seasonal personnel. A summary of the proposed restructuring, by title, of the department is outlined below:

	PRESENT	PROPOSED
Superintendent	1	1
Supervisor	1	1
Assistant Supervisors	3	4
Administrative Clerk	1	1
Clerk Typist	1	1
Recycling Aide	1	0
Senior Carpenter	1	1
Equipment Operators	5	4
Mechanics	2	2
Carpenters	2	0
Traffic Maintenance Workers	2	2
Repairmen	2	2
Laborers (full-time)	6	3
Laborers (part-time)	2	4
Seasonal Workers	5	12

A summary of the reorganization is outlined below:

	PRESENT	PROPOSED
Full-time Staff	28	22
Part-time Staff	2	4
Seasonal Staff	5	12
Total Staff	35	38

Reorganization

The team recommends the vehicle repair operation be organized as a separate division within the department. This operation is well defined and provides services to all city departments. The team recommends the existing supervisor of public works directly administer this operation and assist the mechanics with the scheduling of the workload. (A detailed review has been completed in the fleet maintenance section of this report.)

Seasonal Supervision

The team recommends the existing recycling coordinator position be upgraded to supervisor of seasonal operations. The size and complexity of the city's seasonal operation combined with its commitment to high standards of cleanliness requires supervision to correspond to the work hours of the seasonal employees. The individual presently serving as the recycling coordinator appears capable of handling this added responsibility. The recycling program should not take his full-time effort to manage, and his general knowledge of the solid waste operations would be an asset to seasonal operations.

To accompany this increased responsibility, the recycling coordinator should receive addition compensation (\$6,000) and supervisory training. The addition of this supervisory position at nominal cost will result in a more accountable and efficient seasonal operation.

The duties of the supervisor of the seasonal operations should include the following functions:

1. trash collection;
2. beach and mall cleaning;
3. gardening;
4. facility cleaning; and
5. restroom cleaning.

Value Added Expense: \$6,000

Part-time and Seasonal Employees

The team recommends greater use of part-time and seasonal employees to address variations in workload. In reviewing the departmental activities with staff, the issue of manpower to meet the demands of the peak season was a major concern. The team recommends increasing the number of part-time employees from two to four and the number of seasonal employees from 5 to 12 to provide the necessary manpower to meet seasonal demands. This will afford management greater flexibility in assigning job functions, thereby eliminating the need for higher salaried employees to perform lower level tasks and reducing overtime.

The city has had difficulty in hiring sufficient temporary help. Discussions with public works staff indicated low wages as a major impediment to recruitment. The team recommends that the hourly wage for the part-time and seasonal employees be increased to \$9 per hour. This wage increase should make these positions more competitive with the other seasonal opportunities in the area. For the purpose of calculating the cost of this

recommendation, the team defines part-time as a 12-month, 20-hour per week position and seasonal as a six months or less, 35-hour per week position. In practice, the city is afforded the flexibility to adjust these positions as needed.

The team estimates the cost of these seasonal and part-time employees to be \$138,000 (to be offset by reductions in full-time staff and overtime expenses as recommended elsewhere in this report).

Value Added Expense: \$138,000

Streets and Roads

This division currently is comprised of 11 employees including an assistant supervisor, five equipment operators, two mechanics, one repairman and two trash laborers. While this division performs routine maintenance of streets and storm sewers, a large percentage of time is dedicated to the general beach cleaning operation. In addition to beach cleaning and street sweeping, the team's review found this division to be on call to accomplish numerous non-routine projects. This reactive posture results in higher level employees performing functions that should be performed by laborers or seasonal employees at much lower cost. The reorganization, as previously discussed, will reassign the mechanics and laborers to other divisions.

Recommendation:

The team recommends the elimination of one equipment operator's position in addition to the reassignment of the mechanics and laborers in this division. This restructuring will result in six employees remaining in this division, including an assistant supervisor, four equipment operators and one repairman. The team's review found insufficient tasks to warrant a fifth equipment operator. Many of the division's actual functions should be assigned to laborers or seasonal employees.

Cost Savings: \$37,000

Buildings and Grounds

This division currently is comprised of 13 employees including an assistant supervisor/carpenter, three carpenters, one repairman, four laborers and four seasonal workers. A large portion of this division is assigned to the cleaning of the public restrooms and other facilities. The carpenters are assigned to repairing the public buildings and properties (promenade-boardwalk). Similar to the streets and roads operation, the team found many tasks and overtime work being performed by higher level titles that should be done by laborers and seasonal help. The team's recommended reorganization will reassign the public building cleaning to one specific division.

Recommendations:

The team recommends the elimination of two carpenters and three full-time laborer positions. The assignment of part-time and seasonal workers to assist the full-time employees will provide the appropriate manpower to complete the various work tasks and will provide substantial savings of overtime compensation.

Cost Savings: \$155,000

Additionally, with the reduction of the carpenter's positions, it is recommended that the department assess the condition of the city facilities and prepare a prioritized list of needed improvements. This plan should include cost estimates, staff hours and equipment required to complete the projects. This plan will allow the city to determine whether it is financially feasible for staff or contractors to perform the work.

Janitorial Services-Public Buildings and Restrooms

The city is typical of most resort communities in that it provides and maintains numerous beachfront public restrooms. The public works department is responsible for maintaining the seven beachfront restrooms as well as two public restrooms in the mall area. Additionally, the department provides janitorial services for city hall, the library, the welcome center and the transportation center.

Public works assigns one full-time laborer to city hall to perform janitorial services while the general restroom crew maintains the other public buildings. The restroom operation is seasonal, usually beginning in April and continuing until October, with the exception of the mall area facilities, which are open nearly 12 months a year. During the peak summer months, the public restrooms are open seven days a week. The restroom cleaning operation begins at 7:00 a.m. with all beachfront and mall facilities continually receiving services until 5:00 p.m. The restrooms remain open until approximately 10:00 p.m. unattended and are secured by a police officer.

Two full-time and two part-time employees are responsible for maintaining the restrooms and the other public buildings. In addition to these employees, one full-time laborer is assigned to the pedestrian mall to do general maintenance and cleaning. The employees reported directly to a specific site away from the public works facility and completed a weekly timesheet indicating their hours of work. Cleaning supplies and materials are stored at each site.

The team has concerns about accountability of this function. The team observed, on two occasions, that the timesheet was completed in advance of the workweek. The review found no documentation indicating the number of times a restroom was cleaned or the actual work that was performed at each facility. Additionally, interviews with public works officials indicated considerable difficulties in hiring employees to perform this function and maintaining clean restrooms during the summer months.

The team observed that these employees had no access to a city vehicle and no valid driver's license. The employees reported directly to a specific facility and completed a weekly timesheet indicating their hours of work. To travel to the specific restrooms, the employees used their personal bicycles.

In 1998, public works employees worked 370 hours of overtime cleaning the restrooms on 36 weekends. This amounted to \$6,628 in overtime pay. During 1999, public works employees worked 792 hours of overtime cleaning the restrooms on 47 weekends. The overtime pay for the restroom operation was \$11,344. The following table illustrates the resources dedicated to this activity:

	Hours	Weekends	Cost	Per Hour Cost
1998	370	36	\$6,628.79	\$17.92
1999	792	47	\$11,344.97	\$14.33

Recommendations:

Supervision

Despite being an important amenity in a resort community, it was apparent when reviewing this operation that the restroom cleaning was not adequately supervised. As discussed previously in the reorganization section of this report, the new supervisor of seasonal operations should be given the following responsibilities for servicing restrooms:

1. Establish work schedules.
2. Recruit seasonal and part-time employees.
3. Inspect facilities.
4. Provide supplies for work locations.
5. Monitor and evaluate employee's job performance.

Additionally, the supervisor should initiate an employee's worksheet, detailing the specific tasks involved in cleaning the restrooms. This form should be posted in each facility. After each cleaning, the employees should complete and sign this worksheet to verify the work was accomplished. To assist the supervisor in communicating with the staff, the city should assign an existing vehicle with a two-way radio to this function.

The team recommends a city telephone number be posted in each public restroom to enable individuals to call with complaints and concerns regarding the operation. An answering device should be available to receive after-hours calls. The city should document all complaints and corrective actions.

Hours of Service

The team recommends an expansion of cleaning hours for city restrooms. During the peak summer beach season, the public restrooms are open seven days a week, from 7:00 a.m. until approximately 10:00 p.m., while the cleaning staff works from 7:00 a.m. until 5:00 p.m. This leaves the restrooms unattended for approximately five hours a day during prime tourist season. The team recommends specific shifts be established to ensure that the restrooms are properly maintained throughout the summer season. To accomplish this goal, the team further recommends two work shifts with two member crews to handle the weekday operations. Each crew will be able to clean all the restrooms two times per shift. The first shift should begin at 8:00 a.m. and the second shift at 3:00 p.m. This operation will provide 14 hours of cleaning service to correspond to the hours of public access to the restrooms. The second shift should be responsible for closing the restrooms at the end of the day. These positions should be comprised of seasonal employees (April-September).

The team further recommends that similar two-member crews be established to provide weekend cleaning of the various facilities. Part-time employees should be used to provide

this weekend service. These part-time positions (approximately 20 hours per week) should be 12-month employees to provide weekend service during the off-season. The overtime expenditures for this operation would be eliminated.

It is projected to cost an estimated \$46,000 to implement this recommendation which will provide 14 hours of cleaning coverage seven days a week for 26 weeks or 2,548 total hours. This compares to the current level of an average of 9.43 hours a day or 1,716 total hours of service. The estimated current cost, including two full-time laborers, two seasonal workers and weekend overtime is approximately \$45,000.

The commitment to improved work production, extended hours of service and increased accountability does not provide actual cost savings; however, the quality of restroom services will improve dramatically.

City Hall and Pedestrian Mall

The mall is presently being cleaned and maintained by a full-time laborer. The team observed this function on several occasions and found this operation to be much less than a full-time activity. Another full-time laborer is assigned to city hall to perform the janitorial functions in this building. This individual spends the entire day cleaning the facility. The team observed this activity and also found it to be less than a full-time job. The restroom cleaning crews maintain the city's other public buildings, including the welcome center and the library.

The team recommends that one full-time laborer and one seasonal employee be assigned to the city hall and pedestrian mall. This elimination of a full-time laborer position and replacement by a seasonal employee would reduce the personnel costs of this task by approximately half of a laborer's position value. Improved management, supervision and scheduling will enable this two-member crew to maintain these public facilities.

Cost Savings: \$11,300

Solid Waste

The city is comprised of approximately 3,600 residential units, of which nearly 50% are occupied year round. The other properties are occupied seasonally from May through October. Additionally, there are over 200 businesses operating in the city. The city does not provide municipal trash collection to the property owners. It is the responsibility of the individual owners to dispose of their trash by hiring a private contractor to haul away their solid waste.

The city provides for the collection of recyclable materials through a private vendor. The present contract terminates at the end of 1999 and the city intends to advertise for the continued collection by using private contractors. Recyclable materials are collected weekly at the curbside of all properties in the city. The city is divided into five zones, with each zone being picked up on a specific day. The materials that are required to be recycled are paper, glass, aluminum, tin, plastic and grass clippings. A convenience center is also located at the public works yard for local residents to bring their recyclables. The operations of this facility are reviewed in another section of the report.

The department does collect trash and recyclable materials from the public parking areas, the mall and the promenade. The recyclable materials are transported to the public works yard and placed in dumpsters, while the trash is hauled to the Municipal Utilities Authority in Woodbine. Debris from the beach cleaning operation is also transported to the public works dumpsters and then hauled away.

This collection service operates seven days a week during the peak summer season and also includes trash removal following many special events and activities throughout the year. During 1998, 357 overtime hours were logged for trash collection at a cost of \$8,004 or \$22.42 per hour. Recycling overtime was 42 hours for a cost of \$766 or \$18.24 per hour. In 1999, there were 470 overtime hours for trash at \$9,219 or \$19.62 per hour and 109 overtime hours for recycling at \$2,654 or \$24.36 per hour.

<u>Trash</u>			
	<u>Hours</u>	<u>Cost</u>	<u>Per Hour Cost</u>
1998	357	\$8,004	\$22.42
1999	470	\$9,219	\$19.62

<u>Recycling</u>			
	<u>Hours</u>	<u>Cost</u>	<u>Per Hour Cost</u>
1998	42	\$756	\$18.24
1999	109	\$2,654	\$24.36

Recommendation:

To reduce overtime expenses, the team recommends the use of seasonal and part-time employees to perform these tasks. Based upon the team's observations, four seasonal employees should be assigned to this operation. The employees assigned to this position could perform beach-cleaning duties while picking up trash along the promenade. The trash and recycling operation should function as part of the regular service delivery system and not as an overtime expense.

Cost Savings: \$5,773

The city provides trash collection and recycling pick-up service for the Cape May School District. This service is provided three days a week. There are no available records to indicate the tonnage or type of materials collected.

Recommendation:

The team commends the city for providing assistance to the school district. However, the team recommends the city keep accurate information concerning the collection of the type and the amounts of solid waste it picks up from the school. The team further recommends that the city negotiate a fee and collect payment for this service.

Recycling Convenience Center

The public works department operates a recycling convenience center for city residents. Commercial and residential property owners are permitted to use this facility while construction contractors and private waste haulers are prohibited. Permissible household items accepted include: paper, glass, aluminum, plastic and tin, white goods, and leaves, grass clippings, brush and branches. Items such as tires, paints, motor oils and hazardous waste are prohibited. At present, the convenience center operates Monday through Friday, 8:00 a.m. to 4:00 p.m. and Saturday 8:00 a.m. to 12 noon. The public works department monitors an identification system (driver's license, tax bill, mercantile license or utility bill) to verify residence.

Two part-time employees are assigned to the station; one employee works 35 hours a week and the other 15 hours a week. Neither employee receives health benefits. In 1998, the salaries for the two employees were \$17,289. Additionally, vendor fees for dumpster related services for the convenience center were \$19,284 for a total cost of \$36,574 to operate the convenience center.

In 1999, the salaries for the same two employees was \$18,669, while the dumpster expenses totaled \$14,508. The total cost of the convenience center in 1999 was \$33,178. In comparing the dumpster related expenses for the two years, there was a \$4,775 reduction in the cost of the containers. This decrease in expenses can be largely attributed to a revision to the ordinance that prohibits contractors and private haulers from using the center.

Recommendation:

The team recommends the convenience center be eliminated. The city provides weekly curbside collection of recyclable items for all residential, commercial and business properties. This service is funded through the annual operating budget. The convenience center is a redundant recycling collection service. All residents should be encouraged to use the weekly, curbside service for their recycled goods. However, the city will need to maintain the use of dumpsters to collect the trash and recyclables at the mall area and the beachfront. These containers should be used solely for that purpose.

Cost Savings: \$33,178

Sick Leave

The team reviewed sick leave usage for 1998 and 1999. We conclude there is excessive use of sick leave within this department. For the purpose of this review it should be noted that at the beginning of the calendar year, each employee receives 15 sick days and the days may be carried over from one year to the next without limit. From an examination of cumulative sick leave balances, it is apparent that employees have used excessive sick leave for at least 10 years.

In 1998, 23 employees consumed 305.5 days of sick leave. Using these statistics, public works employees used an average of 13.29 sick days per year. In addition, four employees, who either retired or were terminated, used a total of 222 sick days, for an average of 55.5 days per person. In 1999, the sick leave used by 26 employees was 276 sick days for an average of 10.62 sick days per worker.

The standard benchmark used by the LGBR in reviewing other communities in comparing similar job functions is 6.5 sick days used per year, or approximately 44% of the annual allotment. The public works employees used 4.12 days above that figure. This excessive use of sick leave has caused a substantial loss in productivity over the years.

Additionally, the team compared the years of service with the accumulated sick leave for the department. Two senior employees were deleted from this review, as they have a combined total of over 41 years of service and nearly 400 accumulated sick days available. However, in analyzing the remaining 24 employees, the numbers are much different. This group totals 288 years of service, for an average of 12 years per employee. Based on the years of service and the number of sick days allocated, the total number of sick days available was 4,320. By the end of 1999, these employees used 3,747.5 sick days and had 572.5 days of unused sick time remaining available. The employees used 87 % of the available sick leave time.

While it is apparent that over the years there was an excessive use of sick leave, the average number of paid sick leave days taken by the employees has declined and accountability has improved under the direction of the present superintendent. The superintendent has implemented internal procedures to monitor the employees' paid leave. However, the team believes sick leave usage is still too high.

Recommendations:

It is recommended the city continue with its aggressive efforts to monitor sick leave. Supervisors should investigate sick leave usage to the fullest extent allowed by the collective bargaining agreement. Reaching the public works benchmark of 6.5 days, the city would realize a productivity gain of approximately 98 workdays.

Additionally, as part of an annual employee evaluation system, the criteria for rating job performance should include attendance standards. The public works collective bargaining agreement does not provide management with the effective tools to control this issue. A city-wide recommendation is addressed in the personnel section of this report.

Productivity Enhancement: \$12,657

Work Order System

The department issues a "work/supply request" form for all work that is to be completed by public works employees. The form describes what needs to be done and indicates the city department and/or organization that are requesting the work. The date the request was made, the date the work is to be done, and the actual completion date appear on the form. When the work is completed, the form is returned to the clerical staff and logged, by date, as finished. However, the team discovered that many assignments for work for special projects for the Civic Affairs Department/Recreation Trust Account are not tracked through the "work request" system, but are done routinely (on weekdays and weekends) as the event occur. With the exception of overtime, there is no documentation of equipment or manpower to provide this service. (During 1998, \$2,504 was paid in overtime to public works employees to set up for the band concerts sponsored by civic affairs. Similarly, \$2,563 was paid in overtime in 1999.)

	<u>Hours</u>	<u>Cost</u>	<u>Per Hour Cost</u>
1998	106	\$2,504	\$23.63
1999	105	\$2,563	\$24.42

Recommendations:

The team commends the department for implementing the work order system. Through this system, it is possible to track the various type requests that are made to public works for service and assistance. However, the form does not provide the actual staffing hours or track equipment usage in completing the requests. The team recommends this work order procedure be amended to include the number of employees, hours and equipment used to accomplish each request for service.

Additionally, the team recommends that all work requests for civic affairs be accurately documented and that a procedure be developed to reimburse the department for all work completed for the recreation trust account. To accomplish this, a set fee for both manpower and equipment should be established. As the trust account is fee generated, there would be a revenue enhancement to the city.

PARKING METERS

Overview

The traffic maintenance division is responsible for the parking meter operation within the city. There are 1,353 parking meters located throughout the city, mainly along Beach Drive and some adjacent streets and around Washington Mall, City Hall, the welcome center, the library and numerous city parking lots. The parking meter inventory consists of 889 functional mechanical meters and 464 electronic meters. Additionally, there are 113 serviceable mechanical meters that are used as back-up units, as these older type meters require substantial maintenance. The metering operation is seasonal, beginning in May and lasting until the end of October. The parking meters are a valuable source of revenue to the city and are also useful in controlling traffic and prompting parking turnover during the summer season.

Three full-time employees comprise the traffic maintenance division and are responsible for the parking meter operation. The coins are collected four times a week, taken to a local bank, counted and deposited in a city account.

Financial

The 1998 expenditures for the traffic maintenance division totaled \$135,078. Of this amount, \$113,044 was for salaries and direct benefits and \$22,034 was for other expenses, including meter parts, traffic light maintenance, street signs, paint for striping and other traffic maintenance supplies. Additionally, \$25,000 has been appropriated in the 1999 capital budget for the purchase of approximately 160 electronic meters. The city plans to continue this capital purchase over several years until all mechanical meters are replaced. While the above represents the costs associated with this operation for one year, the table below indicates the positive revenue activity generated by the parking meters for the last five years.

<u>Year</u>	<u>Revenue</u>	<u>Difference</u>
1994	\$613,854.24	--
1995	\$631,573.40	+\$17,719.16
1996	\$635,049.33	+\$ 3,475.93
1997	\$660,512.02	+\$25,462.69
1998	\$707,618.40	+\$47,106.38
1999	\$688,623.11	-\$18,995.29

Operations

According to records obtained by the team, 1,353 parking meters are located throughout the center city mall area and along Beach Drive. This includes all or a portion of 27 city streets and four parking lots. The meter operation is seasonal, beginning around May 1st and remaining in effect until the end of October. However, the meters at the Jackson Street parking lot are active year-round. The parking meter regulation hours are from 10:00 a.m. until 10:00 p.m. during the parking season.

Three traffic maintenance employees are assigned to the meter program. They are responsible for the maintenance and repair of the meters, removal, storage and re-installation of the beach side meters and the collection of the coins from the meters. This entire operation is well organized and managed. The parking meter locations are divided into 11 distinct zones, identified internally by color and/or a specific name. This enables easy identification of faulty meters and the tracking of monetary values of the meters. The collection of coins for all meters is completed on Monday, Tuesday, Thursday and Friday. The three employees walk the zones, dump the locked coin canisters into the specially designed locked, pushcart and then proceed to make several trips to the local bank to drop off the coins.

Both the canister and the pushcart are keyed to prevent the staff from handling the coins. The team observed that the supervisor carried the keys to the pushcarts during the collection process. However, the coins from four locations (three small lots and the Jackson Street lot) are emptied into an unsecured pail and taken to the bank. At the bank, the municipal employees dump the coins into moneybags, marking the zone location of each bag. This process is completed by noon each day.

The team observed this operation on numerous occasions and while it believes this to be a well-organized function, we have concerns about the moneybag and coin-counting procedures at the local bank. When the team monitored the money drop-off procedure, the city employees took the money carts to a back room of the bank and dumped the cart contents into various moneybags and stacked the bags in a corner of the small room. No bank employee was present during this operation and the coins were not counted at the time of the drop-off. Further observation revealed that the bank assigns a part-time seasonal employee to count the coins, and while this is usually done daily, this individual completes this process unsupervised. The bank provides this service to the city without charge; however, a means of security, i.e., surveillance camera, would ensure the integrity of the process.

Recommendations:

While the team considers the parking meter operation to be a well-managed program, there are several improvements that can be implemented to further benefit the city.

Staffing and Coin Collection

It is recommended the city maintain the existing staff and procedures of the daily operations of the parking meter program. However, as the coin collection function is completed four days a week (excluding Wednesday) and requires four to five hours to complete each day, the team recommends the supervisor devote his full-time to this division, while two traffic maintenance workers be specifically assigned to other tasks for the balance of the workweek (e.g., lawn maintenance). This will provide over 35 additional hours to the department. Based on the position value of this title, a productivity enhancement of approximately \$35,000 would be realized. Furthermore, should the workers be assigned to the lawn maintenance responsibilities, there would be additional savings of \$12,000 through the termination of the lawn maintenance contract.

Productivity Enhancement: \$35,000

Cost Savings: \$12,000

The coin collection process was completed in a secure manner with the exception of three small parking lots and the Jackson Street lot. The team recommends that these lots be collected in the in the same manner as the other areas, using the specially designed locked pushcart.

Lastly, the city supervisor carried the keys to the secured pushcarts in the event there was a malfunction while the coins were being collected. While there is absolutely no evidence that any employee mishandled funds, the team recommends that the key to the pushcarts be kept in the public works office. In the event of an emergency, the crew can secure the key from the office. Additionally, a key should be maintained at the bank to enable a bank employee to transfer the coins to the moneybags.

Revenue Enhancements

It is recommended that the parking meter operation be extended 12 months with the exception of the Beach Drive zone. As Cape May has become a nine to ten month resort, the mall areas and the Bed and Breakfast activity have greatly extended the resort season and the accompanying demand for parking. The team conservatively estimates an increase of 5% increase in parking revenues, or approximately \$32,500.

Revenue Enhancement: \$32,500

At present, the parking meters are operational from 10:00 a.m. until 10:00 p.m. It is recommended that the hours be revised to 8:00 a.m. until 12:00 a.m. during the extended season. This will increase the daily hours from 12 hours to 16 hours and is estimated to enhance revenues by approximately 5% or \$32,500.

Revenue Enhancement: \$32,500

The present parking rates are \$0.25 for 30 minutes of parking or \$0.50 per hour. It is recommended that this rate be revised to \$0.25 for 20 minutes of parking or \$0.75 per hour. This increase should include the Beach Drive area and the meters around the mall and should be in effect during the extended season. While this is a 33% increase in fees, the team conservatively estimates a 10% increase in general parking revenues or approximately \$65,000.

Revenue Enhancement: \$65,000

An additional source of revenue from the parking meter operation is an advertising promotional concept using the parking meter poles. The team's research discovered vendors that install display modules, with various commercial advertising, onto the parking poles. This is an advertising concept similar to that used on shopping carts. The city has no administrative overhead or installation costs for this program, as all costs are the responsibility of the promotional company. The typical revenue derived from this advertising is \$6.00 per month per meter pole. It is estimated that 10% in additional revenues can be realized if this program was adopted, or approximately \$65,000.

Revenue Enhancement: \$65,000

Replacement Parking Meters

The team commends the city for the capital purchase (\$25,000) of 160 additional electronic meters (the city intends to use the existing meter housing while purchasing the internal mechanism at approximately \$157 per unit). These new meters will be used to replace the older, mechanical meters.

The team further recommends that the city continue with the replacement plan and budget the necessary funds, \$115,000 for approximately 730 meters, to replace all the mechanical meters as soon as possible. This replacement will drastically reduce the maintenance costs and the staffing hours for meter repair. Also, as all meters will be electronic, the city will be able to fully utilize the computerized features; including monitoring the values of specific meters, printing of actual collections, performing the recalibration of meters as needed and adjusting parking fees and times.

Additional Parking Meters

As means for additional revenue, the team recommends that consideration be given to extending the parking meter operation to the east section of Beach Drive and adjacent streets. A study completed by the superintendent indicates that an additional 259 meters could be placed in this area at a cost of \$121,100. (The unit cost of \$467 includes the cost of the entire meter with housing, pole and installation.)

Using meter revenue ratios from 1998 (1,353 meters produced \$707,618 in revenue or \$523 per meter) the 259 units would produce an additional \$135,457 in annual revenues. With a 10-year debt service of approximately \$15,000 per year and a minimal increase in operational costs, the city should realize a \$110,000 net increase in parking meter revenues.

Revenue Enhancement: \$110,000

Grounds Maintenance

A private vendor presently provides the grounds maintenance to public property. There are 37 municipal properties identified as parcels that require lawn maintenance from April through November. The scope of the work is relatively undefined. The current year contract cost to provide this service is \$12,089. Public works employees perform all other maintenance, weeding, planting of flowers, and mulching.

Recommendation:

While usually outsourcing of this function is recommended, the organization of the public works department is such that the team recommends existing public works employees complete this work. The improved time management and work assignment of the traffic maintenance division and the seasonal gardener will enable these employees to perform the work. Additionally, as the work and time schedules are established, other employees within the department should be available for this function as needed.

While the cost savings of the contract and the increased productivity of existing employees will be realized, there is an initial purchase of lawn maintenance equipment of approximately \$4,500 that will reduce the first year's savings. Additionally, there will be a minimal annual operational cost of approximately \$1,000 for fuel, lubricants and other supplies.

Total Gross Savings	\$12,089
Equipment Purchases	\$ 4,500
Operational Expense	\$ 1,000

Cost Savings: \$6,589

Street Sweeping

There are approximately 20.2 miles of streets in the city, of which 13.2 are municipal streets and 7.0 county roadways. The street sweeping operation has divided the city into five zones to enable the cleaning operation to cover all the streets. The city is very image conscious concerning the cleanliness of the streets, and to address this issue has developed an aggressive schedule to meet this philosophy. The city has developed four sweeping schedules to accommodate the various seasonal activities and events that are celebrated.

During the busy summer season, which begins May 1st and continues until around Labor Day, the sweeping program operates seven days a week with Beach Drive and the streets around the mall area receiving daily sweeping service. The sweeper operator runs from 6:00 a.m. until 3:00 p.m. Monday through Friday, and 6:00 a.m. until 10:00 a.m. on both Saturday and Sunday. The Saturday and Sunday operation is solely for sweeping Beach Drive and the mall streets. After Labor Day, the city sweeps roads six days week, through December. From January to March, the sweeping program is reduced to three to five days, depending upon city activity. The normal hours of the service, after the summer season, are 7:30 a.m. until 3:30 p.m., Monday through Friday.

To perform this ambitious sweeping schedule, one employee (equipment operator) is assigned to this task on a full-time basis. The city maintains one sweeper, with no back up, to perform this operation. A new sweeper was purchased and put into service in August of 1999. Based upon the information provided by the city, the sweeping program operates approximately 300 days a year. The team attempted to determine daily/annual mileage of the sweeper and daily/annual hours the broom actually operated to ascertain the approximate miles of streets that were cleaned. This information for the periods requested was unavailable, as there was no current driver/operator logs maintained. However, with assistance of the administrative clerk, the team was able to review fuel usage for 1998 and 1999. Also, the team was able to determine sweeper mileage and broom hours from August 12, 1999 (from the new machine).

In evaluating and comparing the fuel usage, it is very apparent that the department will realize substantial savings in the amount of fuel used, due solely to the new diesel operated sweeper. The average monthly fuel consumption for the new sweeper was approximately 212 gallons per month while previous average usage was in excess of 330 gallons per month.

A review of vehicle mileage and broom hours indicates an excessive amount of mileage in comparison to the amount of actual street sweeping, 4,051 road miles to 368 hours of cleaning (broom activated). This equates to approximately 35 miles of travel a day and less than three hours of sweeping a day. Discussions with the sweeper operator indicated considerable difficulty in cleaning the streets due the number of vehicles parked in the streets. The lack of a street sweeping ordinance to clear streets of vehicles at designated times, has impaired the ability of the operator to consistently clean streets. Given the unavailability of off-street parking in some areas, the city's high standard of sweeping services may be impractical.

Additionally, during normal operations, the sweeper is emptied of sweeping debris two to three times daily. This waste is considered hazardous material and is deposited at a state-approved facility for street sweeping debris. The Cape May County Road Department, located at the Cape May County Airport in Erma, accepts this type of debris at no charge for local governments. This facility is approximately five miles from the city and the travel and waiting times vary due to seasonal vehicular traffic. Because the sweeper has an 8.4 cubic yard trash bin and considering the low number of broom hours, the team questions the frequency of dumping the sweeping debris as frequently as is presently done.

The annual cost for the street sweeping program, including salaries and benefits (position value), average maintenance, repair and operational costs and amortized equipment value (seven-year asset), is approximately \$66,000. Based upon this information, street cleaning costs \$73.34 per broomed hour (900 hours annually) or \$3,168 per annual road mile (20.2). Using five miles per hour as the average speed of the sweeper, the operation cleaned 4,500 miles of streets. Considering both sides of the streets are swept, the cost per road mile swept was \$29.33. During the course of previous LGBR studies, a range of \$28-\$102 per road mile swept has been identified for private street sweeping. The team attributes this low cost for city sweeping to the high frequency of the operation.

A review of the overtime records for this operation revealed 208 hours of overtime during 1998 at a cost of \$4,995. The sweeping program logged 294 hours of overtime at a cost of \$7,259 for 1999. One sweeper operator accumulated \$6,663 of this overtime.

	<u>Hours</u>	<u>Cost</u>	<u>Per Hour Cost</u>
1998	208	\$4,995	\$24.02
1999	294	\$7,259	\$24.60

Recommendations:

The city should be commended for its efforts in attempting to maintain a clean community. Additionally, the sweeping of the county roads that traverse the city is an excellent example of inter-governmental cooperation. The county reciprocates by providing a state approved facility to dump the sweeping debris and also provides other services (traffic light maintenance) for the city.

However, the efficiency of a full-time (eight hours a day) employee working six to seven days a week operating the sweeper, while the actual sweeping hours of the operation are less than three hours a day, does not equate to productive or effective operation.

The team recommends that the sweeper operators maintain a daily driver's log to include the beginning and ending mileage, broom hours, fuel usage, actual times of the day the sweeper is emptied including the volume of debris, and a listing of the streets cleaned. The department supervisor and the superintendent should review this log, and the work performance should be monitored to a daily standard. The team considers five hours of actual sweeping time an attainable goal. As an additional guide for productivity, the city may consider soliciting price quotations from private vendors to determine if the sweeping operation is performing to industry standards and if the operational goals are realistic.

The team further recommends the overtime for street sweeping be eliminated. To achieve this, the street sweeping operation should rely on more than one employee to conduct the seven-day a week operation. The team recommends that at least two employees share this operation during the peak of the tourist season. The sharing of this function will significantly reduce and possibly eliminate the overtime expenditure of the operation.

However, an impediment in implementing this recommendation exists in the union contract and past practices in the department. At the present time, management is not able to develop a flex workweek schedule that would enable employees to stagger their workweeks. The contractual workweek is Monday through Friday. Work scheduled for Saturday or Sunday is considered as overtime and the employees are compensated in that manner. The

team recommends that this provision of the union contract be renegotiated to allow management the right to establish the workweek to accommodate the community's seasonal needs.

If this can not be accomplished, other recommendations to reduce overtime include:

1. Reduce the sweeping program to five hours a day, seven days a week during the peak season.
2. Reduce the operation to four hours a day and clean a selected number of streets that are the most heavily traveled and visible. This will allow the operator to be assigned to other public works functions the balance of the workday.
3. Reduce the sweeping to alternate days, thus enabling the operators to perform other job functions.

Lastly, due to the difficulty in sweeping the streets as a result of the excessive number of vehicles parked in the streets, an option is to reduce the sweeping operation to a part-time function. A part-time operator, performing three to four hours a day, should be able to complete the amount of sweeping that is presently being performed. While there may be some difficulty in locating a part-time operator, consideration should be given to increase the hourly wage of this position. The city would benefit by the savings of approximately half the salary of the operator and the health benefit expense of the employee. This would equate to over \$20,000 in savings.

Cost Savings: \$20,000

FLEET MAINTENANCE

Overview

Fleet maintenance plays a vital role in enabling municipal governments to achieve their missions. All major operational departments rely on vehicles and other powered equipment to operate effectively. The city's inventory of police vehicles, fire engines, and public works equipment represents a major capital investment on the part of the city. In light of these considerations, it is imperative that the city operates an efficient maintenance program.

As in many smaller municipalities, the city does not possess sufficient fleet size to make privatization a cost effective option. Because of this factor, the team's recommendations focus on improving the productivity of the present maintenance operation. Many of the recommendations contained in this section require purchases of equipment and upgrades to the city's maintenance facility. These value-added costs will produce long term savings through greater productivity and less reliance on vendors to perform routine repairs.

The implementation of these recommendations will also result in longer service life of the city's vehicle fleet and subsequent long term savings in acquisition costs. Firstly, capital purchases and debt service costs are reduced as intervals between vehicle replacement are extended due to the

vehicles' longer operational life. Secondly, greater availability of vehicles and equipment reduces the need for a large reserve inventory of vehicles to replace inoperative frontline vehicles.

Policies and Procedures

The mission of any fleet maintenance operation should be to provide effective and efficient vehicle service that meets the needs of its users. The city has a policy and safety manual, which contains general information for all employees in the municipality. Although the manual covers a host of subjects, it does not cover policies and procedures specific to vehicle maintenance. The lack of written policies and procedures creates opportunities for inconsistent and inefficient work, and inhibits performance evaluations and the development of training programs. Standard operating procedures are particularly important in a setting in which strict working controls are critical to maintain an older fleet with limited resources.

Recommendation:

The city should issue a vehicle maintenance and service guide for all city employees. Additionally, it is recommended the city establish a mission statement and standard operating procedures relating directly to the specific operations of the maintenance staff.

Staffing and Work Load

Maintenance and repair of city-owned vehicles and equipment are mainly performed by city mechanics. According to the city's organizational chart, mechanics are assigned to the streets and roads department. During 1998, staffing consisted of two full-time employees. Mechanics are required to work a 40-hour week, 7:30 a.m. - 3:30 p.m. Monday through Friday. According to the superintendent, private vendors complete approximately 30% of repairs on city vehicles and equipment. This level of outsourcing is due to a number of factors such as the lack of equipment or expertise in a particular field of repairs.

Based on records provided by the city, the mechanics are responsible for repairing and maintaining 154 items assigned to various departments throughout the city.

Vehicle Equivalents

The Vehicle Equivalents (VE) formula is a method used to determine the staffing level needed to maintain vehicles. It was developed by the US Air Force and is recognized by various fleet maintenance-consulting firms as one of the best guidelines for analyzing staffing levels. This method determines the average number of hours of maintenance and repairs a vehicle requires and converts those hours into VE. For example, a standard passenger vehicle requires approximately 17.5 hours of work per year. In contrast, a trash compactor truck may require 136 hours per year, which would be eight times the work of a passenger vehicle or an equivalent of eight VE.

The VE ratio is determined by dividing the required hours to maintain a vehicle fleet by the number of annual available mechanic hours. For the city, a full-time mechanic has approximately 1,750 hours available annually. This is determined by deducting the number of

paid leave hours from a standard 2,080-hour year. The available hours are divided by the maintenance requirements for one passenger vehicle to determine the VE ratio. The industry standard is a ratio of approximately 100 VE per mechanic for an efficient maintenance operation.

Based on the composition of the city's fleet, the team calculates that the city has a VE of 194.5 or a yearly requirement of 3,403.5 maintenance hours. Private vendors perform roughly 30% or 1,020.5 hours/58.5 VE of the city's vehicle maintenance repairs. Because of outsourcing, the city's maintenance staff has an actual workload of approximately 2,383 hours or 136 VE annually. Using these calculations, the city's current staffing requirement is 1.4 Full-time Employee (FTE) based on its vehicle equivalents and level of outsourcing. If 90-95% of all repairs were done in-house, the appropriate staffing level would be two FTE.

Cost of Operations

A labor rate analysis for the mechanics was performed. This is done to determine the cost effectiveness of the operation against repairs done at a private vendor. Based on the costs provided by the superintendent, a labor rate for the garage was calculated to be \$32.30 per hour. Dividing the direct costs by the total available hours (\$113,053 and 3,500 hours) derives this hourly amount. This calculation includes personnel costs, facilities and equipment costs, but does not include the cost of parts and lubricants. A survey of labor rates in private repair garages indicated a range of \$46-\$75 per hour in the Cape May area.

The hourly rate is based on a best case scenario since billable hours are not recorded by the city. With incomplete repair order data it was impossible to determine the number of direct hours. Based on observations of the mechanics work habits and vehicle repair orders, it is estimated that less than half of the billable direct hours would show up on repair orders. This would push the hourly rate above \$64 per hour. To make the fleet maintenance function more cost-effective, the city needs to perform more of its maintenance functions in-house.

Preventive Maintenance Program

The city has no active Preventive Maintenance (PM) program in place. Preventive maintenance includes the routine, scheduled inspection, alteration and replacement of vehicle parts and fluids designed to correct conditions that may result in future mechanical failure. A good PM program enables minor problems to be detected and repaired before they result in serious breakdowns and costly repairs. It consists of scheduled maintenance activities in accordance with the specific requirements of each vehicle in the city's inventory.

A properly implemented PM program not only increases the life of vehicles but also increases the operational availability of the fleet. Increased availability is related directly to the number of vehicles required to meet the needs of the city. When more vehicles are available, fewer backups are required. Improved preventive maintenance produces lower acquisition and maintenance costs.

Recommendation:

It is recommended the city implement a preventive maintenance program. The other recommendations in this section will provide the maintenance facility with sufficient resources to perform these activities.

Mechanic Productivity

Management does not use performance standards and benchmarks to monitor productivity. Direct labor is time recorded for the performance of actual repairs but not for indirect labor such as procuring parts and other support functions. Without the benefit of performance standards or benchmarks, management cannot be assured that each mechanic is working to his fullest potential.

Salaries are the single most expensive item in a maintenance operation; as a result, mechanic productivity is the foundation of any efficient maintenance operation. The key to efficiency is maximizing productivity. In order for an operation to be efficient, 90 to 95% of a mechanic's available hours should be recorded as direct or billable hours on repair orders.

An important component of maximizing productivity is the utilization of a computerized fleet management program. A computerized fleet management program would provide the city with a host of features. Many programs have some or all of the following features:

1. Fleet inventory.
2. Complete maintenance and repair history.
3. Work orders.
4. Preventive maintenance and inspection scheduling.
5. Preventive maintenance checklists.
6. Repair parts management.
7. Labor/mechanic productivity.
8. Tire and component costing.
9. Work pending records.
10. Fuel, oil and fluid history and consumption.
11. Work in progress.

The system's ability to measure labor hours will allow management to gather data on the performance of each mechanic. With this data, the city can determine if each mechanic is meeting performance standards or if problems exist, and schedule training to correct the deficiency. As shown previously in the labor rate analysis, monitoring labor hours is a critical factor in determining the cost of any operation.

By developing performance standards and utilizing a computerized fleet maintenance program to track performance, mechanic productivity can be increased to reduce the outsourcing of repairs from 30 to 10% of the city's workload. This productivity enhancement, in conjunction with the tool purchases discussed in the next section, will result in approximate savings of \$13,500 annually.

Recommendation:

Management should establish performance standards for the city's mechanics. In-house standards could be developed or commercial standards, (i.e., Motor or Chilton) should be used. The team also recommends that the city purchase and utilize a fleet management system.

One-time Value Added Expense: \$2,500 Hardware (computer)

One-time Value Added Expense: \$7,500 Software

Productivity Enhancement: \$13,500

Shop Equipment

In order to perform vehicle repairs, a shop must be equipped with basic tools. To be productive, a shop must be properly equipped. As previously mentioned, approximately 30% of all repairs are performed by outside vendors. Part of this is due to the lack of expertise, but a large part is due to lack of the proper equipment. An appropriately equipped shop, with properly managed personnel, could reduce this number from 30% to 10%. It is recommended that the city purchase additional tools and equipment that will allow the garage to become a productive facility. Purchases can be made over a three-year period. The recommended tools are listed in order of importance.

Recommendation:

It is recommended the city purchase the following tools and equipment:

¾ in. Air Impact Gun	\$ 400
Truck Lift	\$6,000
20-Ton Air Jack	\$1,100
Analyzer	\$2,100
A/C Charging/Recovery System	\$4,000
Brake Lathe	\$4,500

One-time Value Added Expense: \$18,000

Facility

The necessary elements for a safe and productive maintenance facility are ample parking, work and storage area and the appropriate shop tools and equipment. The facility should comply with EPA, OSHA and other state and federal regulations. It should be operationally safe and efficient and effectively utilized to minimize fleet costs. Inadequately designed facilities will result in lower productivity, increased backlog, lower vehicle availability and increased maintenance costs.

Located in the public works complex, the city garage has two defined work bays and is equipped with one medium-duty lift. A container, purchased from the Federal Surplus Center, serves as a storage area for parts and supplies that are used for routine maintenance and repairs. A wide center area, that is large enough to be used as a third bay, separates the two defined work bays. Access to this bay must be through one of the two defined bays. Obviously, if the defined bays

are occupied, the center area is inaccessible. Conversely, if the center area is occupied it cannot be vacated unless one of the two defined bays are vacant. This center area is often used to do repairs on larger vehicles due to height constraints in the two other bays. Moving large vehicles in and out of this area is time consuming and dangerous.

At this time, it appears the commitment to vehicle repairs is half-hearted as evidenced by the unsatisfactory conditions observed by the team. If fleet maintenance is to be done in-house and in a cost-effective manner, changes to the facility should be made. Listed below are some of the deficiencies found with this facility:

- Poor shop ingress and egress.
- Inadequate parts storage.
- No bulk oil storage.
- Wood workbenches, old and worn.
- No exhaust system.
- No CO detection system.
- No high volume ceiling exhaust fans.
- No fire or smoke detection.
- Inadequate shop equipment.

The city should consider installing an additional overhead door to allow access to the center area. This would allow for easy, safe access to the center area, allowing mechanics to put more time into repairing vehicles (productivity increase) rather than wasting it by having to move vehicles around to access a bay. Public works staff can perform this work since it has previously installed two overhead doors in the facility.

Recommendation:

It is recommended the city install an additional garage door, creating a center bay in the public works garage.

One-time Value Added Expense: \$4,000

A tire rack used to store light duty tires is mounted on the north wall of the shop. These tires should be secured to the rack with a lock and chain. On the south wall, sets of heavy-duty tires are stored on the floor in an unsecured manner. These tires should be moved out of the general work area and secured or disposed of if unneeded.

Along the south wall are six cabinets used to store bench stock. The city's carpenter shop could build one custom cabinet to replace all six units that would take up one third of the space. The resulting open space could be used to store equipment now located in the center area. General shop tools such as grinders, drill press, and grease gun need to be centrally located at the front of the shop for easy access to both mechanics. Used parts from various vehicles and equipment have collected along walls, on and under workbench, and on the floor. Unneeded items should be discarded according to policy, while items of value should be placed in a secured stock area.

Recommendation:

The city carpenters should construct a custom cabinet to house the contents of the various cabinets located on the south wall as well as other general stock.

One-time Value Added Expense: \$200

Shop lighting needs to be upgraded. All light fixtures are too high off the ground and some have bulbs missing. Currently, the shop's lighting capacity is approximately 15 to 20 foot-candles. Adequate lighting for a shop area should be between 50 to 100 foot-candles. Consideration should be given to lowering all the light fixtures and refurbishing units that are not operational.

Recommendation:

Lower all lighting fixtures and refurbish units that are not operational.

One-time Value Added Expense: \$1,000

The garage lacks an exhaust extraction system and a high-volume ceiling exhaust fan. The extraction of fumes from an enclosed building is a critical safety issue. A high volume ceiling fan extracts exhaust fumes which collect near the ceiling when vehicles are moved in or out of the garage. An extraction system is necessary whenever vehicles, especially diesel-fueled vehicles, are running inside a confined area. Vehicle configuration (e.g., loaders and tractors) often precludes the use of a hose out the bottom of a door. An overhead extraction system is the most practicable and viable solution.

In addition, the garage lacks a smoke, fire and carbon monoxide detection system. Hard-wired detection units are readily available from local sources to be installed, easily and inexpensively, by city staff.

Recommendation:

It is recommended the city make the following safety improvements to the maintenance facility:

High-volume ceiling exhaust fan:	\$ 500
Carbon monoxide smoke and fire detectors:	\$ 200
Overhead exhaust extraction system:	\$6,000

One-time Value Added Expense: \$6,700

Oil Purchases

Currently, oil is purchased by the case at an average cost of \$1.41 per quart. During 1999, the garage purchased 126 cases at a cost of approximately \$2,132 from a vendor. Purchasing oil in quart containers is expensive and makes inventory control and accountability more difficult. Under state contract, the city can purchase multi-viscosity API Grade SJ/CH-4 Gas/Diesel SAE

15W-40 (virgin stock) bulk motor oil for \$.56 per quart. By switching to bulk oil purchases in 55 gallon drums, the city could save \$.85 cents per quart and have better control over its inventory. Based on the average yearly usage, bulk purchasing would provide the city with yearly savings of \$1,285. It is estimated that once the city fully implements a preventive maintenance program, oil consumption will increase by one third, thereby increasing the potential for additional unit savings.

During 1999, 10 cases (120 qt.) of 2-cycle oil, 6 cases of Dexron transmission fluid (72 qt.) and 10 cases of Dexron III transmission fluid (120 qt.) were purchased. Based on the total quarts of transmission fluid ordered, ordering one 55-gallon drum would have saved \$140 over the individual case purchases. In addition, it is suggested the city use only Dexon III and stop purchasing Dexron transmission fluid.

As for the 2 cycle oil, purchases from the state contract would provide the city with additional saving of \$.46 per quart or \$55 a year. It is recommended the city purchase all its oil from the state contract, in bulk form when permissible.

Recommendation:

It is recommended the city make bulk purchases of oil and transmission fluids.

Cost Savings: \$1,480

Police Cruiser Tires

The current practice for flat tires on police cruisers is to replace the tire rather than repair it. The flat tire is then repaired and reserved for use on other vehicles. It was alleged that police do not allow the mechanics to repair tires citing safety reasons. Based on sparse information recorded on repair orders, an accurate number of tires replaced under this scenario is not available.

A properly patched tire, not plugged, is an acceptable tire repair practice. The city should consider patching police cruiser tires rather than replacing them. If there is concern among the officers as to what car may have a patched tire, a plaque signed by the mechanic indicating which tire was patched and on what date can be installed. When the patched tire is replaced, the plaque can be removed.

Recommendation:

The city should consider patching tires on police cruisers, if appropriate.

Pre-trip Inspection Logs and Vehicle Usage Reports

Pre-trip inspection logs should be used on a daily basis. Used properly, they can help spot problems before the driver is on the road and eliminate preventable breakdowns and or unsafe conditions. The driver can insure the vehicle is prepared for foreseeable weather/road conditions.

Vehicle usage report provides information on who is using each vehicle, purpose for the trip, where the vehicle has been and the beginning and ending mileage for each trip. It also provides

data on how often it is used. Usage data from this report can be used to determine if vehicle/equipment inventory levels are adequate or if the unit is under or appropriately utilized. Based on historic trends, proper inventory levels can be established.

Recommendation:

It is recommended the superintendent establish a system for the use of pre-trip inspection logs and vehicle usage reports.

CIVIC AFFAIRS

Organization

The civic affairs department has three full-time and over 60 part-time employees. The full-time staff include the director, program coordinator and a secretary, while the part-time employees serve as program instructors, pre-school supervisors, pool lifeguards, coaches and maintenance workers. The department's offices are located in Convention Hall.

Operations

Civic affairs provides community wide recreational services, ranging from athletics, leisure time activities and special events to public relations. Participants include both city residents and seasonal tourists. The department is responsible for the following activities:

1. Scheduling special events and activities.
2. Establishing and collecting program fees.
3. Arranging for the production and distribution of public relations/tourism.
4. Promotional literature.
5. Operating the Welcome Center.
6. Coordinating the preschool program.

A wide range of facilities are used to provide these services and activities, including Convention Hall, the Franklin Street Civic Center, Cape May Elementary School, the Victorian Bandstand/Rotary Park, Kiwanis Park, various athletic fields in neighboring communities and the United States Coast Guard swimming pool. The department is responsible for the routine maintenance and cleaning of the facilities it uses, with the exception of the USCG pool.

The civic affairs department is extremely active in planning and providing programs. The department not only directly sponsors many special events, but also coordinates and provides technical assistance to other community groups and government agencies. Furthermore, the department acts as clearinghouse for all recreational activities by compiling a calendar of events for all activities in the city. A review of the calendar of events demonstrated the success of this policy with 57 major activities scheduled between June and December. Additionally, the city offers a large number of recreational activities, including swimming programs for all ages, basketball and volleyball leagues, aerobics, martial arts, gymnastics and many more family programs.

Recommendation:

The team recognizes this cooperative effort as a “best practices” program. The city should be commended for the manner in which civic affairs operates these community activities. The team strongly recommends this practice continue.

Financial

There are two distinct funding sources used by the city to finance civic affairs activities. The first source is the annual municipal budget. In the 1998 budget for civic affairs, there was \$114,658 including \$74,223 for salaries and wages, and \$40,435 for other expenses. The 1999 budget was \$114,200, which included \$71,000 for salaries and \$43,200 for other expenses. The amount budgeted for the wages was insufficient to cover the salary expense for the full-time staff in both 1998 and 1999.

The additional source used to fund the programs is the dedicated recreation trust account. The trust account was established in the early 1970's to enable the city to provide recreational activities that are self-sustaining. The team was unable to locate the document establishing and detailing the trust.

All civic affairs/recreation revenues from program fees, courses, classes, events and rentals are deposited into the Recreation Trust Account. The collection of fees and the deposits are handled directly by the civic affairs staff. All program and activity related expenses, including instructors' fees, are charged to the trust. The payment of all expenses is administered and controlled through the city treasurer's office. City council authorizes the payment of bills. Additionally, \$2,000 per pay period (26), or \$52,000 annually, is allocated to partially fund the civic affairs municipal budget salaries and wages account.

During the team's review of the revenues and expenses of the trust account, it was determined that while there are many sources of revenue contributing and expenses charged to the account, there are four major cost and revenue centers operating from the trust. They include Convention Hall rentals, roller skating at Convention Hall, the pre-school program and the summer camp. All of the financial activities of these programs, as well as all the other smaller programs, are included in the overall trust. There are no specific budgets or cost centers for any of the programs.

A review of the revenues and expenses for the trust account for 1998 and 1999 are listed below:

	1998	1999
Reserved (from 1998)	\$68,571.75 (from 1997)	\$62,876.85 (from 1998)
Revenue Realized	\$334,165.60	\$329,250.10
Cost Expended	\$330,755.55	\$328,570.87

Listed below are the revenue figures for the four major programs for 1998 and 1999. This information was derived from the program logs maintained by the civic affairs office.

	Convention Hall Rentals	Roller Skating	Pre-School	Summer Day Camp
1998	\$23,175	\$23,749.50	\$42,993.26	\$33,408.72
1999	\$26,525	\$26,588.00	\$42,544.95	\$28,993.59

The team attempted to review each program to determine if the fees/revenues covered the expenses for the activity. There was no precise documentation to determine if the programs are self-sustaining. Additionally, there appear to be costs associated with the various programs that are not being charged or documented to the specific activity performed. The public works department provides personnel and equipment to assist this department in operating its programs. There were insufficient records to document the actual time and material involved, as was there no reimbursement.

Recommendations:

The team recognizes the value of the dedicated trust as it relates to the civic affairs operations and commends the city for having the foresight to develop this procedure to augment the department's funding. However, the team recommends that a process be implemented that will develop cost centers for the major activities, including convention hall rentals, roller skating activities, the pre-school program and the summer day camp. This will allow the city to determine whether the program is self-sustaining or what level of subsidy is appropriate from the city.

The team recommends that civic affairs and public works continue their interdepartmental cooperation. However, a procedure should be implemented to account for the actual time and equipment used by public works to support the services and programs of the civic affairs. A detailed work order system should be put into practice to develop actual costs for programs. Additionally, the current account should be reimbursed by the recreation trust account for the services provided by public works.

Convention Hall

Convention Hall has been located at 714 Beach Avenue since the turn of the century. It was reconstructed after the great storm of 1962 to its current state and condition. The floor plan of the building includes an auditorium with hardwood floors (80'x100'), a stage complete with lighting and two dressing rooms (21'x36'), an all-purpose room (15'x23'), a lobby with restrooms (25'x46') and staff offices on the second floor. The seating capacity of the hall is approximately 930. While the staff offices are air-conditioned, the remainder of the hall is not. There are documented structural deficiencies (both interior and exterior) that have been identified in various studies. A state grant has been secured to install an air-conditioning system throughout the entire building. Electrical and ventilation improvements will also be funded by this grant.

Convention Hall is used for many city-sponsored recreation and civic functions, including roller-skating. Additionally, the hall is available to service clubs, non-profit organizations, religious groups, schools and other concerns on a rental basis. The city requires the renting agency to enter into short-term lease agreement for each rental and requires the lessees to provide, at their

own expense, single limit liability coverage of at least \$1,000,000. The director of civic affairs and the mayor execute the agreements.

There are no set rates for rentals, however, the general fees appear to be between \$500 and \$600 per event. The team reviewed the rental documents for the years 1998 and 1999 and found on several occasions there was no charge for rentals. Specifically, in 1998 there were nine rentals at no charge and in 1999 there were 10 rentals at no charge. These agencies included a service club, an elementary school and other charitable groups. In many cases, the events are multi-day functions. During 1998, there were 29 rentals that used the facility for 49 days. The rental income for this period was \$23,175. In 1999, there were 34 rentals consuming 58 days. \$26,525 was paid in rental income for this period.

	1998	1999
Number of Rentals	29	34
Number of Days Rented	49	58
Rental Income	\$23,175	\$26,525
Average Daily Rental	\$473	\$475

Recommendation:

The team recommends that the city adopt a rental fee ordinance that clearly stipulates the cost of renting city facilities. If the city will permit certain organizations to use municipal facilities at no charge, then a formal procedure for determining which organizations will not be charged should be incorporated into the ordinance. Only the mayor should have the authority to grant permission to allow outside organizations the use of municipal facilities free of charge in accordance with the ordinance. Also, this ordinance should be reviewed on an annual basis to determine if appropriate rental fees are being assessed.

In addition to the rental activity at Convention Hall, the city sponsors a roller-skating program. The roller skating activity usually begins in the third week of November and continues until the week before Easter. Skating is offered on Friday evenings, Saturday afternoons (two sessions) and Sunday afternoons. While this activity is popular with the city youth population (over 7,500 participants during each of the last two years), this program does impede the rental of convention hall for weekend functions.

During the team's review of the operations, it was not possible to determine the revenue and expense values of operating Convention Hall. As was previously discussed in the finance section of this report, there is no system for tracking the actual expenses of this operation. A cost center will assist management in determining the actual cost of operating this facility. Although recreation programs extensively utilize it, no trust funds have been allocated for facility maintenance or capital improvements to Convention Hall.

Recommendations:

The team recommends that a cost center for this facility be developed. This must include an analysis of all operational expenses associated with the hall. The rental fees should be

evaluated in conjunction with this and consideration given to increase the rates. Additionally, the city should evaluate structural deficiencies and develop a plan to complete the improvements. This is an important facility with considerable interaction with the public and its maintenance and appearance should reflect the city's high standards of service.

The team further recommends that a capital improvement fund be established to complete the needed improvements. Serious consideration should be given to allocating an annual amount of funds from the recreation trust account to be dedicated solely for capital improvements to Convention Hall.

Pelican Place Pre-school

The civic affairs department operates a state licensed child development center for three and four year olds and a pre-school program for three to five year olds. There are two sessions (morning and afternoon) for the pre-school program, Monday, Wednesday and Friday and one session for the child development center on Tuesday and Thursday. The maximum enrollment is 18 children per session. The classes for the programs begin in September and run through May. The staff includes two certified instructors and a consultant. A local service club provides the food for the program at no charge.

Camp Cape May

The city offers a summer day camp for children ages four to 13 years old. This program operates from late June through the middle of August, for seven weeks. The maximum daily participation is 60 children a day. A program coordinator and a staff of seven provide supervision and instruction for the campers. The camp is located at the Kiwanis Park and Pavilion and the Wise-Anderson Recreational Complex, and transportation is provided.

Recommendation:

The team commends the department for providing the two programs, Pelican Place and Camp Cape May. The participation has been excellent and the program staff provides professional instruction. While the team recommends no programmatic changes, the city should establish cost centers for each activity. A detailed analysis of all costs associated with providing the programs will permit the city to charge appropriate fees for these programs.

Welcome Center

The welcome center is situated in a city-owned building on Lafayette Street. The site of this older building is in a prime location for incoming tourists to receive information about the city's major attractions. The center is open year-round to provide and assist tourists with travel information as they visit the city. The center has convenient hours, 8:30 a.m. to 4:30 p.m., seven days a week. A hot line is available for tourists to use in making reservations for restaurants, day trips or locating overnight accommodations.

The center has two part-time employees, one paid through the civic affairs budget and the other from the recreation trust account. The salaries and wages of the employees are approximately

\$15,000 and they receive no health benefits. Several community volunteers assist the paid staff in providing information and guidance to the tourists. The public works department maintains the facility.

Recommendation:

The function performed at the welcome center is similar to the services and activities that a chamber of commerce performs. The team recommends that the city initiate discussions with the chamber to provide this service. In negotiating this service, the city may consider providing the building, while the chamber supplies the staffing. As the membership of the chamber of commerce is comprised of local businesses that benefit directly from the tourist trade, this type of an arrangement may prove beneficial to all parties. The city would save the salary expense of approximately \$15,000.

WATER AND SEWER

Overview

The city supplies water and sewer service to its residents. The city also provides bulk water sales to Cape May Point, West Cape May, a small portion of Lower Township and the Coast Guard base. The department is not an independent authority but rather a subordinate department of the city. Although the utility is controlled by the city, it is a separate budget and accounting entity operated under the principle that utility revenues should pay for its operational costs and related debt service.

The city's geographical position presents unique challenges for the provision of water to its residents. Salt intrusion into regional wells has forced the city to make major capital investments in water plant facilities. After an in-depth study of the city's options in addressing this problem, it elected to construct a water desalinization plant as the most cost effective means to meet the city's long term water needs.

The city had attempted to address this problem on a regional basis with neighboring communities. Despite the apparent economy of scale benefits through a regional solution of the region's water supply problems, area communities were unable to produce a solution.

Staffing

The team concludes that the utility is appropriately staffed. The staffing for the utility consists of a superintendent, two clerical personnel and four maintenance workers. In addition to these personnel, a water plant operator was recently hired to run the desalinization plant. Discussions with staff indicate that the staffing levels for the department are considerably reduced from the 1980s, when the city operated its own sewage treatment plant and had 11 maintenance workers.

In addition to the employees specifically dedicated to sewer and water functions, a number of other employee salaries are paid out of sewer and water funds. Public works employees are mobilized to read meters and perform ancillary work in support of utility operations. Portions of the finance, clerk, tax collector and governing body salaries are paid through sewer funds. The

partial payment for personnel peripherally involved with utility operations makes computations for appropriate staffing levels sometimes difficult. From its interviews, the team attempted to differentiate actual operational involvement of employees rather than budgeted positions.

Appropriate staffing levels are difficult to determine given the differences between the ages and types of construction of the collection and distribution systems. Considering the age of the city's infrastructure, the staffing level of 8.5 workers specifically assigned to the utility appears to be appropriate. In addition to utility employees, the team estimates that approximately four Full-time Equivalent (FTE) employees from other departments actually assist in meter reading, revenue collection and other related functions. With this staffing calculation, the team concludes that the utility has 12.5 FTE employees actually tasked with utility functions.

The team compared the city's staffing level with other combined sewer and water departments evaluated by LGBR. These cities have an infrastructure of a similar age and condition. Based upon these benchmarks, the city has 264 accounts per employee while other communities evaluated by LGBR had an average of 239 accounts per employee. Given the fact that these larger communities have significantly more billing line items and advantages of scale, the team concludes the city's utility is staffed in a very efficient manner.

During the team's interviews, several staff members expressed concerns regarding the number of licensed operators for the water desalinization plant. This plant is the only facility of its kind in the state and the process to learn the plant's highly sophisticated operation is very involved. Presently, the water superintendent and part-time operator are licensed to operate this facility. Additionally, discussions with water personnel indicate that the operation of the plant is more labor intensive than anticipated.

Recommendations:

The city is commended for conservatively staffing its water utility operation. Financially, however, the city should reexamine clerk, governing body, planning and finance personnel to determine if the portion of their utility funded salaries correspond to the actual working hours dedicated to utility functions.

The team recommends the city license an additional employee to provide backup for the operation of the desalinization plant.

Finance

The team reviewed documents detailing the financial condition of the utility. Generally the city has generated sufficient revenues to cover its operating costs. In 1996, however, the city's revenues barely covered its operating costs. Discussions with utility personnel indicated that a highly effective conservation program in that year caused a large reduction in revenues without a corresponding reduction in its fixed costs.

Revenues	1994	1995	1996	1997	1998
Fund Balance Utilized	250,500	350,000	350,000	250,000	398,000
Water and Sewer Rents	3,878,526	3,796,304	3,555,753	3,915,921	4,245,395
Miscellaneous Receipts	120,683	182,886	201,834	242,722	244,522
Unexpended Reserves	277,088	112,839	47,351	171,415	227,571
Total Revenues	4,442,030	4,526,798	4,154,939	4,580,059	5,112,490
Expenditures					
Salaries and Wages	560,000	558,725	589,096	631,558	648,129
Other Expenses	2,550,000	2,647,923	2,709,914	2,692,463	2,680,813
Capital Improvements	50,000	55,000	55,000	55,000	70,000
Debt Services	719,468	710,618	747,170	744,136	1,015,977
Deferred/Statutory Charges	64,000	48,765	52,064	65,672	59,030
Total Expenditures	3,943,468	4,021,032	4,153,244	4,188,830	4,473,949
Excess in Revenue	583,329	420,998	1,695	391,229	641,540
Fund Balance January 1	321,011	653,841	724,839	376,534	517,764
Total	1,074,839	904,341	726,534	767,764	1,159,304
Fund Balance Utilized	250,500	350,000	350,000	250,000	398,000
Balance December 31	654,841	724,839	376,534	517,764	761,304

In addition to concerns about the level of utility funds expended for certain employees outside of the utility, the team examined the utility's expenditure for group medical insurance. It appears that the \$352,844 budgeted for medical insurance coverage is substantially in excess of the coverage costs of employees actually engaged in utility related activities.

Using benchmarks provided by the Association of Environmental Authorities, the team evaluated the city's compensation levels with comparable South Jersey utilities. Generally, the team found the compensation levels to be appropriate for size and scope of the utility.

Sewer and Water Rates

Rates for sewer and water billing consist of two elements, a facility charge based upon the size of the connection to the system and a consumption charge based upon actual readings from the customer's meter. The city reviews its fee structure on a regular basis and recently adjusted its rates to cover the debt service and increased operational costs of the newly constructed water desalinization plant.

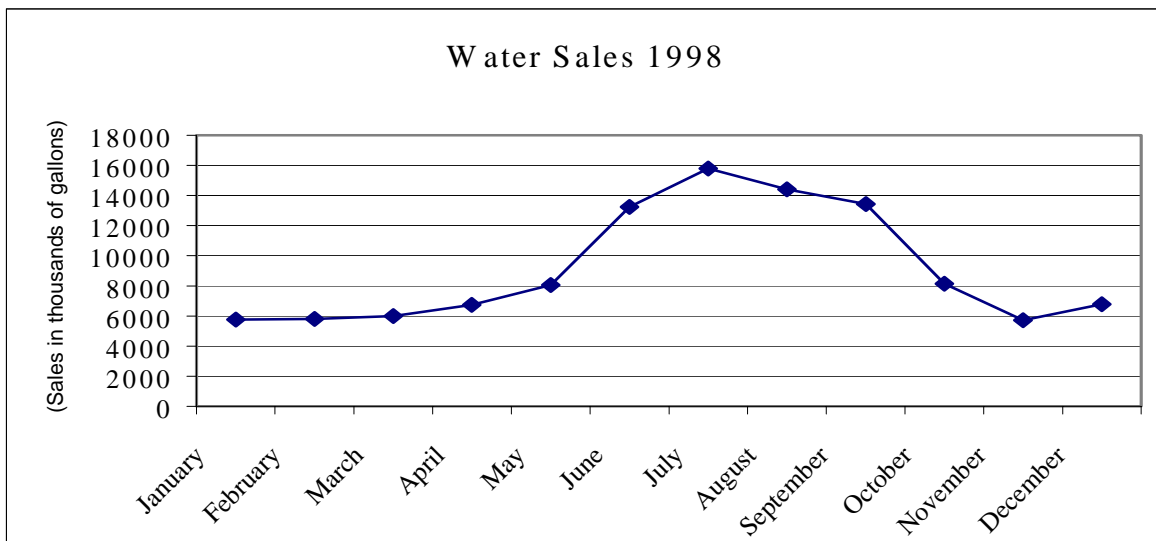
The city utilizes a two-tier rate structure to encourage water conservation during the peak tourist season. As the table below indicates, water and sewer rates are significantly higher during peak season than the low season:

	Water	Sewer	Combined
November-March	\$2.63	\$2.30	\$4.93
April-October	\$7.46	\$7.71	\$15.17

Discussions with city officials indicated that electrical costs associated with the operation of the desalinization plant were considerably higher than anticipated. Additionally, the mandatory water conservation associated with the summer drought has significantly reduced water consumption. This combination of higher expenditures and decreased revenues with no reduction in the city's fixed costs or salary and wage costs is expected to cause a revenue shortfall. An assessment of the utility's financial conditions indicates that an increase in fees may be required to address the utility's increased operation costs and reductions in consumption.

Water Usage

According to the 1998 meter report, the city sold 355,307,000 gallons of water to its customers. Of this amount, 245,482,000 gallons were sold to metered city accounts and 109,825,000 in bulk water sales to neighboring communities and the Coast Guard base. The city experiences considerable seasonal variations in water usage. The table below illustrates the doubling of water consumption during the peak summer season:



As the table indicates, the city's peak water usage corresponds to the higher water and sewer rate structure that runs from April to October.

To reduce electrical costs, the city has developed a sophisticated plan to operate the energy-intensive desalinization plant during off-peak hours. During these periods of lower charges for electrical service, the city fills its water storage facilities and recharges its wells for use during peak hours. The city is to be commended for its efforts to conserve water and lower costs.

Inflow and Infiltration

The city has embarked on a program to install vents on manhole covers to prevent storm water from entering the sanitary sewer collection system. This program is important in reducing costs because the storm water is conveyed via the sanitary sewer collection system to the county treatment plant for processing. Discussions with utility personnel have indicated significant success in reducing the amount of storm water entering the sewer collection system.

LICENSING/CODE ENFORCEMENT

The licensing function, while operating in a separate office, is a division of the city clerk's office. During 1999, two full-time employees, the purchasing agent and a clerk, were responsible for this operation with a part-time employee assisting at various times. The responsibilities of this office include the issuing of mercantile licenses, dog licenses, contractors' licenses, mall/promenade patio permits and bus permits. Applications for licenses and permits are issued in-house or are mailed directly to the respective vendors, depending upon the request. The following table illustrates the city's licensing revenue:

	License Revenue	Licenses Issued
1998	\$236,483.79	1,275
1999	\$250,095.49	1,260

Code enforcement is a separate office and is charged with ensuring compliance with the city's licensing procedures. Additionally, this office has other responsibilities unrelated to licensing. The team's review found a lack of coordination and resources devoted to this function, resulting in quality of life and safety issues being neglected and violations occurring without appropriate enforcement actions.

Mercantile License

According to city ordinance, businesses are required to have a mercantile license in order to operate in the city. The ordinance contains a fee schedule for 39 categories of businesses. The licenses are issued annually and are valid from July 1st of the given year. This office sends out the renewal applications using the prior year's information. The renewals are usually sent out in May to be returned, with the appropriate fee, before July 1st. The returned applications are then reviewed and compared against the prior year's permit for accuracy.

If there is a discrepancy in the information received, the application is rejected and the applicant's fee returned. Reasons for denial include: unreported additions and conversions, changed seating capacity and additional rental units, which may be zoning or construction official issues. A denial will also be issued if the property taxes are not current. The team believes the city does an adequate job of producing the renewal applications and issuing the permits to the properly completed applicants.

However, the team's review found several issues concerning the city's operational procedures for denied permits and for businesses failing to submit the application and fee by the July 1st deadline. Notices were sent to the businesses advising them that their application for a license

had been denied, however, these notices, while dated July 27th and 29th, were not sent out until August and September. Additionally, there were no follow up letters sent to the businesses that failed to comply with the July 1 permit date. There were no coordinated efforts by the city staff to ensure that all businesses were in compliance with the ordinance. The team observed several businesses operating without a current license. Further, a review of city records revealed, that as of the end of 1999, 62 active businesses had not secured a permit and thus had not paid their fee. This delinquent amount totals \$16,752.

The team was also advised that in more than one case, a business was permitted to continue to operate even though the mercantile permits were not current and the fees had not been paid for several years. Additionally, the city does not perform criminal background checks, construction code or zoning reviews, for new applications. It is apparent that the present reporting system, organizational structure and the interdepartmental communication between the licensing office, code enforcement office, and the zoning and the construction official's office are inadequate.

Recommendation:

The team recommends the mercantile license application schedule be revised. Currently, the city mails license renewal applications in May for the due date of July 1st. This application schedule conflicts with the peak business season of the merchants. We recommend an April or May due date for the license would provide the merchants with sufficient time to complete the renewal application and file any required revisions that may be required. This schedule will allow the city staff to send out the renewal applications on March 1st, and provide ample time to review, inspect and issue the license before the peak season begins.

Presently, the code enforcement official is responsible for ensuring that all business establishments are licensed. The team observed serious enforcement deficiencies as evidenced by 62 active businesses not having a valid mercantile permit. The code enforcement official has many other assigned tasks and does not have sufficient time to dedicate to this responsibility. Additionally, the communication between the licensing office and the code enforcement appears ineffective.

Recommendations:

The team recommends that an additional employee be hired and assigned specifically to the mercantile license program. This part-time, seasonal position (April-September) would be supervised by the code enforcement official. The projected cost for this additional employee will be approximately \$10,000 for 26 weeks of coverage. This added expense would be offset by the reduction in unpaid mercantile license fees. To further assist with enforcement, the team recommends the ordinance be amended to include a late fee for those businesses that do not pay by the due date.

This individual should review license renewal applications, conduct field inspections and issue summonses for violations. Additionally, better communication between the code

enforcement office and the zoning officer/construction official will enable the city to ensure all businesses comply with city regulations.

The team recommends that a formal procedure be implemented for the review of applications of new businesses or trades. This review should include, but not be limited to, a criminal background check, zoning compliance and an assessment of public health and safety issues.

Mall Patio Permits

According to city ordinance, the Washington Street Mall sidewalk areas may be used by businesses with certain limitations. Permits are issued for the consumption of food and beverages and for the display of live plants and flowers. Businesses submit plans and proposed usage information to the city to secure a permit. The annual permit fees are \$100 per front foot for a premise that is licensed to sell alcoholic beverages and \$50 per front foot for a premise without alcoholic beverages. Half of the annual fee is paid prior to July 1st and the remaining by October 1st.

Similar to the mercantile license, the permits are issued by the licensing office with the code enforcement official responsible for the compliance. During interviews, city staff addressed the same enforcement and communication issues that exist with the mercantile license operation. Furthermore, the team was advised that a proprietor had not renewed its mall permit for over two years and was still in operation even though it was in violation of the code.

	Permit Revenue	Permits Issued
1998	\$15,860	8
1999	\$16,005	8

Recommendation:

Similar to the mercantile license applications, the team recommends the revision of the due date of the permits to coincide with the issuance of the mercantile licenses. This will avoid the peak business season conflicts that may hinder the timely submission of the application. The seasonal code enforcement position recommended earlier in this section should include enforcement of this function as one of its duties.

Charter Bus Permits

Regulations to control charter bus traffic were formally adopted by resolution in 1995. The regulations were necessary to protect the fragile streets, utilities and neighborhoods by limiting charter bus traffic in designated areas of the city. Limited bus parking is available at the city's bus depot on Lafayette Street.

Charter bus permits are issued by the licensing office and must be secured 10 days in advance of the requested date. The permit application must indicate the particulars of the visit, including the proposed drop-off and pick-up locations and times. All permits issued are non-refundable. The bus permit fees are as follows: a) January 1st to June 30th and the day after Labor Day to December 31; \$50 per bus per day, b) July 1 through Labor Day; \$70 per bus per day.

Additionally, buses, which load and unload passengers, but do not park, are \$35 per day. Permits for parking on private property are \$10 per bus.

The team found this component to be well organized and the staff very willing to assist applicants requesting information concerning the bus permits. The city should be commended for this operation. During the team's interview with the staff, concerns were raised regarding the availability of parking. The depot parking area is very limited and is being shared with NJ Transit and the Cape May Ferry shuttle. The team was advised that bus permit revenues are decreasing due to this parking issue. The staff has been forced to deny bus tours parking permits and are advising buses to drop-off their passengers and go to neighboring Wildwood to park. This results in a \$35 permit instead of a \$70 parking permit. Additionally, this parking situation has caused some tour companies to cancel their day trips rather than drop-off their passengers and drive to Wildwood to park. The parking issue has been discussed but the city has been unable to locate an additional parking area that is suitable for bus traffic.

	Bus Permit Revenue	Bus Permits
1995	\$55,185	1,482
1996	\$52,220	1,409
1997	\$58,195	1,508
1998	\$58,525	1,462
1999	\$50,485	1,439

Recommendation:

The team commends the charter bus permit operation as an effective means to address some of the city's traffic control problems and to protect its older infrastructure from damage. The team recommends the city address the issue of locating an additional area to park the tour buses. Not only will this allow the bus permit revenues to increase, but also the additional bus tours will add potential shoppers and diners to the retail market of the city.

Contractors' License

In 1972, the city established, by ordinance, a procedure by which all contractors desiring to conduct or engage in any work on any building, structure or lot in the city must register and secure a contractor's license. Pursuant to city ordinance, all persons desiring to become registered contractors must make application to the city clerk. The application must include a certificate of liability insurance, naming the city as certificate holder, and the registration fee of \$175. An examination board consisting of the mayor and the building inspector is responsible for reviewing the applications, determining if an examination is appropriate and authorizing the city clerk to issue the license. The annual license shall run from January 1st to December 31st of each calendar year, with neither the registration fee nor the annual renewal fee (\$125) prorated. State licensed electricians, plumbers and general contractors are exempt from this requirement.

The team conducted interviews with staff responsible for this program and determined that the examination board is nonfunctional. The licensing office receives the applications for contractor licenses, verifies the certificate of insurance, receives the required fee and issues the license

directly to the contractor. The contractor is issued a sticker with the license number and this sticker must be displayed on the contractor's vehicle. The code enforcement official is responsible for ensuring that all contractors are licensed. Discussions with this individual indicated difficulty in enforcing this ordinance due to communication problems between the city departments.

	Contractor License Revenue	Contractor Licenses
1998	\$48,950	348
1999	\$69,307	358

Recommendation:

The team recommends the city review the regulations and procedures for which the contractors are issued a license to do business in the city. If the licensing practice has been altered and is not done in accordance with the adopted code, then the code needs to be revised to reflect the actual administrative procedure.

Dog License

Dog licenses are required for dogs that attain the age of six months or possess a set of permanent teeth. Licenses are issued through the licensing office and are due annually by January 31st. In the case of a new registration, the application for a license shall be made within 10 days of owning or harboring of the dog. The fee for neutered or spayed dogs is \$8.20 and for non-neutered or non-spayed dogs is \$11.20.

The team's interview revealed that no effort has been exercised by the city to enforce this regulation. While most of the dogs belong to individuals living in the Coast Guard housing complex, no annual dog census has been conducted for several years. This is a violation of state health regulations and is a serious risk for the city. The team was also advised that there is no shelter or secured location to temporarily house stray dogs.

	License Revenue	Licenses Issued
1998	\$309.40	159
1999	\$227.40	137

Recommendation:

The team recommends the use of city school-crossing guards or other part-time employees to canvass the city to determine the dog population. Two or three employees could devote an extra hour a day until the entire city has been surveyed.

Code Enforcement Office

The Code Enforcement office is comprised of one individual. This person serves as the code enforcement officer and the animal control officer for the city and reports directly to the mayor. There is a litany of tasks and responsibilities that comprise this office. A partial list of duties includes the enforcing of non-criminal police regulations, health regulations, property maintenance code, state housing inspection of multiple dwellings and hotels, zoning, solid waste

management, animal census, animal cruelty investigation and other ordinance enforcement concerns. This office interacts with virtually all city departments; however, the code enforcement function is a very integral part of the success and/or failure of the licensing office and the construction office.

A single code enforcement officer assigned to this function appears to be insufficient for the number of violations in the city. These violations include illegal conversions of rental units, unlicensed businesses, and illegally zoned new businesses, sign ordinance issues and restaurant seating capacity. Furthermore, the ongoing and timely monitoring of the licensing and permitting offices is severely deficient in that many businesses and companies are not filing the necessary documentation or paying the appropriate fee as required. Enforcement action, such as the issuing of summonses, is often a lengthy process and at times has taken years to complete. Additionally, there are life safety and fire issues that have not been addressed by the city, including the inspections of restaurants and motel/hotels.

For animal control, there is no back-up officer and there is no animal shelter. The officer is on call 24 hours a day, seven days a week and in many cases provides shelter for animals at his personal residence. Also, even though required by law, there is no annual animal census completed.

Recommendations:

The team recommends consolidating the licensing and code enforcement functions to facilitate coordination between the two functions. The present licensing support staff should be assigned to the code enforcement office.

The team recommends the city consider a rental inspection ordinance to regulate all apartments, dwellings or other structures that have residential rental units. This ordinance should include an annual inspection for compliance with historic preservation regulations, property maintenance and safety concerns. The team has reviewed property maintenance codes of other communities and found the annual inspection of these properties to be an extremely useful tool in assisting the governing body in regulating rental units and protecting the public health, safety and welfare of its residents and visitors. The inspections of these properties will be a major operation for the city and will require trained inspectors to accomplish this task. The team recommends that two full-time inspectors be initially hired to work in conjunction with the code enforcement official and the proposed part-time enforcement officer.

While statewide benchmarks indicate one inspector should be able to complete the inspections, the team is recommending the additional person to assist in the initial stages of the program. At which time the property maintenance program is in place, the staff should

be able to downsize to one full-time inspector. The team recommends a \$50 annual registration fee be imposed for each rental unit based upon a survey of similar inspection fees in southern New Jersey.

A review of rental inspection codes of other communities will provide details concerning the specific regulations that should be included in the code. Based on information provided to the team from the code enforcement official, there are approximately 2,497 rental units presently in the city plus approximately 1,000 businesses that would be regulated by this ordinance. The projected annual revenue derived would be over \$170,000. This would more than offset the expense of operating the program, afford extra revenue for the city and provide the city and the public with a safer, higher quality of living.

Uniform Construction Code (UCC)

All matters relating to the New Jersey Uniform Construction Code (UCC) and the related inspection plan reviews, building permits and certificates of occupancy are dealt with here. In addition, planning and zoning activities are handled through this office.

The division staff includes a construction official that also serves as the zoning officer, a full-time individual that serves as the fire sub-code official and the building inspector and a clerical assistant. The zoning officer position was full-time until the individual serving in the position became terminally ill. An additional clerical assistant works in the office but is assigned to the planning board, zoning board and the historic preservation commission. While this person does perform some tasks for the construction office, and does report to the construction official, her primary responsibilities are with the three boards.

Additionally, during 1999 the city sub-contracted for plumbing and electrical inspection services. In prior years, the department used a part-time individual as the plumbing sub-code official along with the construction official to complete the inspections. The part-time person retired and the city opted to sub-contract all plumbing and electrical reviews and inspections. This change proved to be more costly than the prior procedure.

To effectively assess the UCC operations, the team reviewed the annual expenditures from 1996 through 1999 as submitted in the UCC Annual Report to the New Jersey Department of Community Affairs. The following is the analysis:

Year	Salary and wage (includes fringe benefits)	Other expense (includes third party inspections)	Total Expenditure
1996	\$131,908	\$3,169	\$135,077
1997	\$139,643	\$3,113	\$142,755
1998	\$139,741	\$9,109	\$148,850
1999	\$140,181	\$42,328	\$182,509

In 1996, the city entered into an interlocal services agreement with the Borough of West Cape May to provide UCC services, including administration and enforcement for the borough. The team commends the city and the borough for initiating this agreement in an effort to economically

provide UCC services to their respective communities. A review of the city's financial data indicates that UCC fees have not covered UCC related expenditures. The following table illustrates to department's activity since the inception of the interlocal services agreement.

City of Cape May				
Year	New Permits	Permit Updates	Construction Value	UCC Fees
1996	522	42	\$9,577,060	\$106,276
1997	536	79	\$9,336,097	\$118,704
1998	539	73	\$10,784,129	\$121,792
1999	556	49	\$8,687,078	\$104,445

West Cape May				
Year	New Permits	Permit Updates	Construction Value	UCC Fees
1996	49	5	\$1,311,211	\$19,893
1997	118	12	\$2,033,484	\$31,933
1998	140	13	\$2,875,838	\$36,048
1999	129	14	\$2,490,645	\$38,643

Recommendation:

It is recommended the city update its fee schedule to ensure that revenues cover the cost of UCC expenses.

Cost Savings: \$39,421

Financial

The city currently dedicates construction code revenues to UCC operations within the municipal current fund budget. The New Jersey Department of Community Affairs permits municipalities to dedicate UCC fees by "rider." Dedication-by-rider is a procedure by which a municipality may use UCC revenue for UCC expenses without affecting the current fund budget. Local governments dedicate by budget for expenses that are largely unaffected by seasonal fluctuations in construction activity, for example, the costs associated with direct employees. Municipalities typically use dedication-by-rider for expenses that vary with the volume of permit activity, such as third party inspection contracts. This procedure is beneficial in cases where the municipality realizes permit income in one budget year but incurs the expense of the third party inspections in the next year. It is also valuable for matching income and expenses when the volume of construction is difficult to predict. When the municipality dedicates UCC fees through the budget, revenue that exceeds expenses adds to the municipal surplus each year. Funds dedicated by rider are reserved in a trust account, which is used to pay the expenses associated with the revenue.

Recommendation:

The team recommends the city pursue the "dedication-by-rider" system and request the New Jersey Division of Local Government Services approve this procedure for third party construction code expenses.

The city submits to the NJDCA the Uniform Construction Code Annual Report in accordance with the state requirements. This report is a summary of the annual revenues and expenditures for the given year. The team reviewed the reports from 1996 through 1999 and found that the city has not included fringe benefit costs or the allowable indirect costs of 12% on any of the submissions. Without these two items included it is impossible for the city to determine if the UCC fees are covering the UCC expenses. The team can surmise that the fees are not sufficient to enable the construction code operation to be self-sustaining.

Recommendation:

The team recommends the city include the fringe benefit and indirect cost information on all future reports submitted to NJDCA. Further, a review of prior years' reports with the fringe benefit and indirect cost information factored in will prove to be most useful in determining and evaluating if current fees are sufficient to meet expenses.

BEACHFRONT OPERATIONS

Overview

It is essential to the city's financial stability and economic vitality that its beaches are properly maintained and ready to accommodate the large influx of visitors that occurs during the summer season. The two and one half miles of oceanfront represents a major tourist attraction for the city and beach tag sales are the largest miscellaneous revenue source for the city. To accomplish this important task of maintaining a clean and safe beach, the city dedicates considerable resources to beachfront operations. Municipal departments that are directly involved in the delivery of services to the beach are the beach patrol, the beach tag program, and public works. During the height of the summer season (July and August), Cape May has over 100 employees working along the beachfront on a daily basis.

Contrary to popular belief, beachfront operations is a year-round job. Off-season planning and preseason preparation work is considerable and extremely important. A lack of planning and preparation in the off season will result in more reactive and less efficient operations during the summer months. These work inefficiencies could result in lower production output and increased operational costs. Additionally, in an economy driven by tourism, adverse publicity resulting from poor beachfront operations could substantially reduce revenue raised from beach tag sales. Coastal communities must be cognizant of this when developing and conducting beachfront operations.

Traditionally, the beach season along the New Jersey coast runs from Memorial Day to Labor Day. During this approximate 110-day period, the primary focus of the city is to maintain a safe and clean beachfront. To realize this objective, the city hires over 130 employees and utilizes equipment valued in excess of \$400,000. The Cape May Beach Patrol hires approximately 70 lifeguards to protect 21 beaches. Since beach tags are needed for admittance to the beach, the beach tag program hires approximately 55 seasonal workers to staff the 31 beach access points and collect over \$900,000 in revenue. Public works provides daily cleaning of the beach,

promenade, and five beachfront restrooms. Detailed information regarding each of the three major seasonal operations along with their staffing requirements and their related cost is provided in subsequent sections of this report.

Financial

To offset the significant cost of beachfront operations, the city established a beach fee program in 1977. Consistent with state statute, the objective of this user fee based program is for the city to recover the costs associated with the beachfront by charging for use of the beach during the summer months. According to the CFO/Treasurer, a cost calculation report is performed annually to determine the cost of beachfront operations. The team obtained and reviewed the beachfront cost report for 1998. This cost calculation completed by the finance officer indicated a total cost of \$1,040,017 for the beachfront operation in 1998. When compared to the 1998 beach tag revenue of \$946,276, the city had to subsidize \$93,741 of the beachfront cost with general revenues. In response to this shortfall, the city increased the cost of the seasonal beach tags by one dollar.

In determining the cost of a beachfront operation, the team used the criteria established by the Slocum vs. Belmar decision. In this case the state public advocate (Alfred Slocum) challenged the “reasonableness” of beach fees in the Borough of Belmar. The court found that beach fees charged by Belmar in 1989 were unreasonable and were used as a mechanism to offset increases in the local property tax. Also, the court ruled that Belmar failed to maintain clear and adequate records of beachfront expenditures, and in reality, Belmar officials speculated and guessed on the cost of beachfront operations. This ruling recognized that under the state statute governing beach fees, a municipality is only allowed to subsidize costs directly related to beachfront operations. Accordingly, the court established 30 separate categories of legitimate costs that could be charged to beachfront operations. In general, the court allowed only those costs legitimately attributable to the operations and maintenance of a beach, which includes operational and capital expenditures along with an appropriate reserve account.

The team wishes to emphasize the importance of tracking financial information related to beachfront operations. In the Slocum vs. Belmar decision, the court clearly placed the burden on the municipality to maintain suitable accounting records detailing beachfront expenditures and related justifications for allocation of cost to the beachfront. The court highlighted that Belmar failed to serve the public trust by having deficient financial records concerning beachfront operations and relied on guessing and estimating in determining beachfront cost. Based on a review of the beachfront operations report prepared by the city, the team believes that the city is not keeping sufficiently detailed financial records of beachfront operations and is employing estimates in the allocation of cost to the beachfront. Reliance on estimates in determining the cost of beachfront operations and subsequently the price of beach tags is a flawed approach exposing the city to criticism and possible litigation.

Recommendations:

The team recommends that the city take the necessary steps to comply with the Slocum vs. Belmar ruling concerning the proper determination of cost for beachfront operations. The

Slocum decision provides for 30 separate categories of eligible costs that can be allocated to a beachfront operation. Adhering to the cost guidelines established in this decision would insure that the city is charging a “reasonable” fee for beach tags.

The team recommends that the city immediately establish an accounting system that will track the cost of beachfront operations. The team considers the existing beachfront operation cost report to be inadequate since it appears to rely on estimates and educated guesses rather than actual accounting data. This will require the creation of a cost accounting system that will record all eligible beachfront expenditures. In addition, the CFO/Treasurer will need the cooperation and assistance of all municipal departments to determine actual city resources being devoted to beachfront operations.

Beach tag revenue represents the single largest miscellaneous revenue source for the city and accounts for roughly 10% of the municipal budget. Considerable public discussion regarding the beach tag program took place during council budget work sessions. The city’s primary concern was that the program failed to exceed the beach tag revenues of \$946,276 in 1998. There even was an expectation by some city officials that the program in 1999 should have generated in excess of \$1,000,000. This perceived revenue shortfall resulted in inquiries into the daily operations of the beach tag program and the need to make improvements in order to enhance revenue for next summer. City officials seemed to focus on the lack of adequate supervision of staff on the beach and concerns regarding employing reliable and dependable staff. The general consensus of city officials was that changes were needed in the hiring practices of the beach tag program along with improvements in the control and oversight of beach tag staff. However, no concrete recommendations or suggestions were offered. Detailed examination of the beach tag operation along with the team’s recommendations is provided in the beach tag section of this report.

The team notes that in 1999, beach tag sales generated \$921,000 in revenue and exceeded the budgeted anticipated revenue figure of \$910,000. The summer of 1998 was a record year for beach tag sales, however, using these revenues as a benchmark may be somewhat misleading. It should be recognized that since 1995, the city has experienced close to a 50 % increase in beach tag revenue. Also, during the numerous public discussions on the beach tag program, the city did not seek recommendations from the beach tag director who has been managing the program for the past 18 years. Conversely, there appears to be no final report prepared by the beach tag director for city officials that summarizes the activities of beach tag program for 1999. A program of this size and magnitude requires analysis to provide a comprehensive review of past activities along with recommendations for future improvements.

Recommendations:

The team recommends that the city adopt a formal process when evaluating operations and programs. Expectations and goals, whether operational or financial in nature, should be discussed and agreed upon prior to the commencement of the program. During the course of the year, periodic updates and reports should be provided to council.

At the end of the summer, a final report should be provided to council summarizing revenue generated, work performance and future program recommendations. Since the city devotes considerable municipal resources to seasonal activities, this reporting process should also apply to other seasonal programs like beach patrol, beach and restroom cleaning, and parking. We anticipate with the hiring of a city administrator position, this reporting system can be established to better evaluate and plan seasonal operations.

BEACH PATROL

Overview

The Cape May Beach Patrol is charged with the responsibility of protecting approximately two and half miles of beach. During the summer season, the city can have in excess of 30,000 bathers. This important public safety task is accomplished by employing one full-time captain along with hiring approximately 70 seasonal lifeguards who protect up to 21 beaches in addition to providing first aid and water rescue services. In Cape May, the beach patrol provides roughly 110 days of service, which traditionally runs from Memorial Day holiday weekend to usually the third weekend in September. During this time, beaches are protected from 10:00 a.m. to 5:30 p.m. daily. According to the Beach Patrol Captain, there have been no recorded drownings while paid lifeguards have been on duty since the inception of the paid patrol. The team wishes to acknowledge this commendable accomplishment.

Furthermore, it should be noted that the Cape May Beach Patrol is one of only seven beach patrols in New Jersey that are certified by the United States Lifesaving Association (USLA). This certification represents a demonstrated and documented commitment of the Cape May Beach Patrol to maintain minimum standards associated with open water ocean rescue and beach safety. The city had the privilege of being host to the 1999 USLA National Lifeguard Championships in which over 1,000 participants competed in various athletic and ocean rescue events. This was the third time the city hosted this large national event since 1988.

In 1992, the Cape May Beach Patrol instituted a Junior Lifeguard Program. Approved by the USLA, this program is structured for individuals between the ages of 9 and 15. This month long educational program has been extremely successful in teaching sound water safety practices and promoting physical fitness and teamwork. In addition, the program has provided the beach patrol with a valuable pool or source of potential beach patrol candidates who are already familiar with acceptable ocean rescue techniques and the procedures of the Cape May Beach Patrol. The beach patrol captain is extremely pleased and proud of the program. Over 100 individuals participated in the Junior Lifeguard Program in 1999. A nominal fee of \$70 per participant is charged to help defray the cost of the program. The beach patrol utilizes existing guards to staff and run the program.

The Cape May Beach Patrol has a benevolent association. Created in 1981, the primary objective of this private, nonprofit organization is to support the current guards by donating clothing, equipment and mentoring services for new guards. The association sponsors various fundraising events during the year and offers scholarships to past and present guards. Also, association equipment is utilized whenever the Cape May Beach Patrol is involved in the various

lifeguard competitions, thus municipal resources are not expended for these non-city related athletic activities. It should be noted that it was the Benevolent Association that represented beach patrol members and brought suit against the city to force the city to provide a state mandated pension program to qualified lifeguards. Lifeguard pensions will be discussed in further detail in the financial section of this report on the beach patrol.

With the assistance of the benevolent association, the beach patrol has an active web site. This site offers information on the beach patrol, the junior beach patrol program, the Benevolent Association, employment opportunities and testing requirements of the beach patrol. In a review of other beach patrol web sites, the team found some organizations offer the sale of beach patrol related merchandise via the Internet. With the popularity of the city as a destination resort, there are definite revenue generating opportunities available through the sale of beach patrol and resort related merchandise. This possible revenue outlet should be explored jointly by the city and the association.

Recommendations:

The Cape May Beach Patrol should be commended for obtaining USLA certification. It is the hope of the team that the beach patrol will take the necessary steps to obtain the advance certification offered by USLA.

The team commends the Cape May Beach Patrol for sponsoring a Junior Lifeguard Program. Not only does this highly popular program promote physical fitness, teamwork and life saving skills; it also provides the beach patrol with a pool of highly qualified candidates for potential employment.

The team recognizes the contributions made by the Cape May Beach Patrol Benevolent Association. Through their various donations and their fundraising efforts, they help defray the cost of the beach patrol operation and ease the financial burden on local taxpayers. It is the hope of the team that the Association will continue with their support and assistance of the Cape May Beach Patrol. Also, in conjunction with the city, the Benevolent Association should explore innovative ways to generate additional revenue, such as merchandise sales over the Internet. Investigation should also be conducted into acquiring trademarks on Cape May Beach Patrol emblems and symbols.

Organization

A table of organization was not readily available; however, the team was able to construct a table of organization based upon interviews with staff. As with most beach patrols in New Jersey, a captain is charged with the responsibility of managing the organization. In Cape May, the current captain is a full-time employee entitled to benefits and a city vehicle. This individual has been an active member of the beach patrol for 20 years and has held the position of captain since 1981. Because of the captain's long tenure, the team was able to develop a historical perspective of the patrol, which greatly assisted in understanding the rationale behind its current organizational structure.

It was apparent during the interview process that the captain is well versed in water and beach safety and has detailed knowledge of the beach. Through the captain's dedicated efforts, the beach patrol has kept abreast on modern day water and beach safety practices. Examples would include utilizing wave runners and jet boats in ocean rescue and providing emergency medical services directly on the beach.

Four lieutenants assist the captain with the daily operation of the beach patrol. The lieutenants are assigned the responsibility of insuring sufficient personnel are available to staff the beach, monitoring weather conditions and general supervision. Additionally, the lieutenants advise the captain of any operational issues or concerns that should arise during the course of the day. The senior lieutenant acts on behalf of the captain in his absence. Lieutenants are usually assigned zones and there are normally three lieutenants on duty everyday. The lieutenants utilize four wheel drive vehicles to access the beach.

Lifeguards physically staff the stands on the beachfront. Typically, two guards are assigned to a stand or a beach; however, there are times when a third guard is needed to assist in handling unusually large crowds. For safety reasons, it is a widely adopted practice to have a minimum of two individuals staffing a lifeguard stand at all times. The team strongly feels that it is a prudent practice of the beach patrol captain to add a third individual to a lifeguard stand when conditions warrant such action. According to 1998 and 1999 financial records, there were approximately 70 lifeguards on payroll with an average of 50 working any given day. The difference of 20 represents personnel needed to compensate for scheduled days off, absences caused by training or competitions, and unexpected leaves (sick) that occur during the summer season. It should be noted that the city does not financially compensate any city lifeguard who competes in the various beach patrols competitions. Lifeguards compete on their "own time" and with Benevolent Association equipment. However, the city does encourage physical fitness among its guards and permits them time, usually in the morning, to exercise in order to maintain needed physical conditioning. This practice is common among the beach patrols in New Jersey.

In addition to the stationary lifeguard stands on the beach, the patrol has a wave runner constantly operating in the water in order to provide crowd control of bathers and to assist in water rescue operations. A boat is also utilized by the patrols to assist in daily operations. Also, the lieutenants are assigned to a four wheel drive vehicle that allows them to respond quickly to any beachfront incident, in addition to patrolling back beach areas.

The beach patrol has an individual responsible for the administrative aspect of this large seasonal operation. This person primarily manages the beach patrol headquarters. Duties handled by this individual include attendance, payroll, recordkeeping and general office work. Also, this person handles all phone inquiries and provides assistance to the numerous "walk ins" at patrol headquarters. Apparently, this administrative position was abolished under the previous administration, but was reinstated by the city on July 6, 1999. The team noted a significant improvement in beach patrol records when this administrative position was reinstated. The administrative workload includes city attendance and payroll records in addition to daily activity logs summarizing the work of the beach patrol. It is important to note that a system for documenting and reporting beach patrol activities is a requirement of the USLA certification program. Also, based on the observations made by the team, this position is critical in

responding properly to the many public inquiries for information and assistance. According to beach patrol records, in July, 1999 alone, 777 inquiries were made at headquarters. The team feels that reinstatement of this administrative position was appropriate and there is a definite need for the staffing of beach patrol headquarters. Also, staffing the beach patrol headquarters with an administrative position allows a lieutenant to remain active on the beach. Previously, a lieutenant was assigned the responsibility of staffing the headquarters.

The team had a unique opportunity to observe the beach patrol handle dangerous surf conditions generated by Hurricane Dennis. During the last week in August, the patrol had to either restrict or prohibit swimming due to hazardous surf. The team was impressed in the manner the patrol addressed this difficult task. Even though they were short-staffed because of it being late in the season, the patrol managed to control the situation. A combination of stationary guards and roving patrols proved to be an effective approach to handling the event. The patrol should be commended for maintaining order on the beach without major incident during this challenging time. The team did observe that if proper signage was available indicating dangerous surf conditions and restricted swimming, it could have greatly enhanced the beach patrol efforts in this endeavor. These signs could be attached to the yellow wooden barricade that public works utilizes throughout the city. This might require the construction of some additional barricades in order to accommodate the needs of the beach patrol.

Recommendation:

The team recommends that the city acquire appropriate signs alerting bathers to hazardous surf conditions. When conditions warrant, these signs should be placed at each beach access location in addition to highly visible locations along the promenade. This would require the purchase of approximately 40 signs. Estimating the cost of each sign to be \$125, total cost of this recommendation would be \$5,000. The city should explore the possibility of utilizing safety funds that are available from the Joint Insurance Fund for the purchase of these signs.

One-time Value Added Expense: \$5,000

Financial

The cost to provide beach patrol services has remained relatively stable. Over the past five years, the budgeted cost of the beach patrol has increased by only 4.57%. Cost of operations for beach patrol from 1995 to 1999 is presented below:

	Salaries and Wages	Other Expenses	Total
1999	\$315,000	\$26,950	\$341,950
1998	\$311,110	\$22,470	\$333,580
1997	\$311,270	\$23,495	\$334,765
1996	\$317,230	\$22,234	\$339,464
1995	\$306,023	\$20,980	\$327,003

According to the treasurer, beach patrol salaries and wages include the cost of all personnel, including the beach patrol captain. The other expenses account includes the purchase of uniforms, medical supplies, minor rescue equipment and some building and office supplies.

Review of 1998 and 1999 expenditures indicated purchases made were consistent with the mission of the beach patrol and did not reveal anything unusual.

In September, 1999, the city ratified the first labor contract with the Cape May Lifeguard Association. This three-year contract effective retroactively from January 1, 1999 to December 31, 2001 covers all beach patrol employees with the exception of the four lieutenants and the captain. In addition to formally adopting terms and conditions of employment, a pay scale was approved which granted 3% pay increase per year for the duration of the contract. A review of the contract does indicate that management rights are preserved and did not reveal any conditions that are exorbitant or extraordinary in nature.

Compensation for the lifeguards is based on an eight-hour workday. A comparison of wages offered by other communities indicates that Cape May lifeguards are not paid a competitive salary. Presented below is a sampling of the beach patrol salary and wage comparison performed by the team.

Community	First Year Lifeguard	Second Year Lifeguard	Fifth Year Lifeguard
Cape May	\$52.53	\$54.61	\$58.49
Atlantic City	\$72.81	\$72.81	\$80.72
Margate	\$55.15	\$62.42	\$68.88
Long Beach Township	\$46.67	\$50.00	\$56.67
Ocean City, MD	\$65.72	\$70.00	\$73.52

It is important for the city to offer competitive salaries to recruit and retain quality seasonal employees. Fortunately in 1999, the beach patrol captain indicated lifeguard recruitment was not a problem. However, in previous years, some difficulty was encountered in attracting a sufficient number of qualified candidates, even with the Junior Lifeguard program. Many other city officials expressed difficulty in recruiting competent and reliable seasonal employees. In order to minimize this problem, the city must annually review its seasonal salaries to determine if they are competitive and adjust if needed.

At the time of the review, four beach patrol lieutenants were in the process of negotiating a new contract with the city. The city classified these talks as “informal” and anticipated little difficulty in resolving the contract prior to the summer 2000 season.

In November, 1999, the city and the current beach patrol captain agreed to a legal settlement to litigation initiated by the captain in response to several minor disciplinary actions imposed by the previous mayor during the spring of 1999. The settlement agreement approved by city council provides for the following:

1. Reinstatement of pay lost from disciplinary action.
2. Reinstatement of vacation and sick time.
3. Establishment of a work schedule which consists of working seven days a week from April 1st to December 1st.
4. Removal of disciplinary actions from the captain’s personnel file.

While the team commends the city for settling this labor dispute without excessive legal cost, it is concerned with the condition which stipulates the work schedule. The team has reservations surrounding the viability of an individual working approximately 210 days in a row. Setting aside the legal and insurance issues, the physical and mental well being of the individual must be considered. Fatigue resulting from the constant pressure associated with a resort operation could realistically have an adverse impact on work performance. The team strongly feels that this work schedule should be reviewed. Consultation with the Joint Insurance Fund is highly recommended to insure all legal and insurance related items are properly addressed.

According to New Jersey State Statute (N.J.S.A. 43:13-24), lifeguards who satisfy certain requirements may be eligible to be retired upon half pay. The city contested this statute on the basis of the use of the word “may” in the statute and the socioeconomic changes that have occurred since the passage of the pension statute in 1928. In April, 1998, the Superior Court ruled that the city must provide a pension plan for lifeguards and for the details to be worked out between the city and the Cape May Beach Patrol Benevolent Association. The city appealed that decision and in November, 1999, the city lost its appeal of the superior court decision. Cited by the appellate court was the legal precedent established by Paludi vs. City of Ventnor City, 1984, that required all sections of the law to be complied with regardless of the use of the word “may” in the statute. Furthermore, the court considered the socioeconomic issue raised by the city to be a legislative issue, best resolved by the legislature and not by the court. The future course of action by the city on this matter is uncertain, however, the city currently estimates the financial impact of instituting a lifeguard pension program at least \$10,000 per year until such time that the program becomes self sufficient. In determining future action, the city must consider that other fourth class cities like Ocean City, Atlantic City, Longport, and Margate have established a lifeguard pension fund. Cape May should seek both financial and legal advice from these communities in order to determine if additional litigation is practical.

Recommendations:

It is recommended the city examine the seasonal salary pay scale to determine if competitive wages are being offered by the city. Appropriate adjustments should be made to insure that the city and all of its departments are in a position to attract and keep competent and reliable seasonal personnel.

The team recommends that the city examine the recently approved settlement agreement between the city and the current captain of the beach patrol. Of particular concern to the team is the provision requiring a seven-day workweek from April 1st to December 1st. Working eight months or 210 consecutive days without a scheduled day off is not realistic. The health and well being of the individual is an overriding concern of the team. Work performance can only be harmed when exposed to constant work-related stress and pressure associated with a resort-oriented operation. Beyond the adverse physical concerns, there are significant insurance and legal issues that must be addressed by the city prior to allowing an employee to work such a demanding schedule. The team recommends consultation with the Joint Insurance Fund in determining an acceptable work schedule.

It is the recommendation of the team that the city consider ending its ongoing litigation concerning the lifeguard pension fund and examine other possible methods of resolving the situation. Prior legal precedent clearly indicates that the courts will uphold the state statute, which mandates fourth class cities, like Cape May, establish a lifeguard pension fund. Relief from the financial burden of maintaining a pension fund for seasonal lifeguards most likely rest with a change in legislation. It might be beneficial for Cape May along with other fourth class cities to pool their resources and seek the support of their local legislative delegation in amending this statute. However, during the interim, the city should follow the direction of the appellate court and cooperate with the Cape May Beach Patrol Benevolent Association in establishing a pension fund for lifeguards who currently qualify for a pension under the existing statute.

Operational

For the 1999 summer season, the beach patrol employed a total of 70 individuals to provide 110 days of service. During the summer of 1999, the beach patrol performed over 170 rescues for approximately 400 victims, handled over 100 lost persons cases and provided medical attention to 250 individuals.

In May, the captain will hire several lifeguards to prepare the patrol for the upcoming summer season. This preparation work includes the placement of lifeguard stands and storage boxes on the beach, stocking all supplies and opening beach patrol headquarters. In Cape May, beaches officially open the Saturday of the Memorial Day weekend. During the month of June, the number of protected beaches is steadily increased until all designated protected beaches are covered by late June. The city has a total of 21 protected beaches. Full staffing of the beaches occurs during July and most of August. Towards the end of August, the number of protected beaches will gradually decrease as a result of lifeguards either returning to college or to their primary employer.

Each new employee hired by the beach patrol receives a lifeguard manual. The team reviewed the manual and it appeared to be very comprehensive. Items of significance that are examined in the manual include work duties and responsibilities of lifeguards, rescue procedures, vehicle operations, and assessment of ocean conditions. The team did notice some items that appeared to be out of date, and the patrol should periodically review and update the manual, ideally prior to the start of each summer season. Any updated or new sections added to the manual as a result of this process should be distributed to all beach patrol members regardless of rank or seniority with the patrol.

In addition to receiving the manual, all members of the beach patrol are certified in both CPR and First Aid. The team observed that the patrol does place an emphasis on continuing education. According to the captain, five lifeguards have EMT certification and two guards are class one officers. The patrol participates in educational programs offered by various organizations such as the Red Cross and the South Jersey Beach Chiefs Association. Also, it was stated during the interview process that lifeguards are given the opportunity to receive a vaccination for the Hepatitis B virus infection. This vaccination is provided at no cost to the lifeguards.

Among some of the practices employed by the beach patrol is to call all bathers out of the water at 5:25 p.m. everyday. The purpose of this is to clearly indicate to all bathers that the lifeguards will be departing at 5:30 p.m. and the beach will be unprotected. Guards strongly encourage bathers not to swim since the beach will be unprotected, however, if they elect to swim, they swim at their own risk. Another safety practice used by the beach patrol is to call all bathers out of the water and off the beach if severe weather is approaching. The beach patrol constantly monitors weather conditions by utilizing several sources. A weather service radio is located at headquarters along with cable TV access to the weather channel. The city also receives weather updates from the Cape May County Office of Emergency Management. In addition, the geographical location of Cape May makes it easy to spot severe weather approaching from almost any direction. Once severe weather is detected and imminent, the captain clears all beaches of bathers. This is accomplished by using the lifeguards on the beach in addition to the beachfront public address system.

For the year 2000, the beach patrol captain has prepared a budget proposal, which includes the purchase of three capital items, which would have a direct impact on year 2000 operations. Normally, capital equipment acquisition would be discussed under facilities and equipment, however, since the purchase of these three items will greatly enhance the effectiveness and responsiveness of the patrol, these purchases will be examined now. A summary of the three items along with the team's recommendations is provided below:

1. Radio Communication Equipment

According to the city's asset inventory records, the beach patrol has 30 portable radios along with one base station. The age of this equipment ranges from 8 to 10 years old. During the interview process, the captain expressed a concern regarding the reliability of this important communication equipment. Observation of the radios by the team confirmed the captain's concerns as many of the current units were held together with tape. The captain has recommended a three-year phased approach to purchasing this new communication equipment. For the year 2000, the team concurs with the captain that 10 new portable radios be purchased for an estimated total cost of \$5,000.

2. Expansion of Public Address System

The city currently operates a public address system along the beachfront and promenade area. This system is used mainly during the summer season to make various public announcements. The beach patrol considers this system important in providing timely information to thousands of individuals in a large area. Beach Patrol will use the public address system to notify the public of impending severe weather, which requires clearing of the beach and to announce lost individuals on the beach. Presently, the public address system does not reach the city's western beaches, which is commonly referred to as the cove area. The area of the beach has expanded due to the beach replenishment program and the captain feels a need to extend public address coverage to this area. The team agrees with the captain's recommendation. In fact, the team observed that having a public address system in the cove area would have proved to be extremely helpful during Hurricane Dennis in late August. Cost of extending the public address system west to the cove beach area is \$5,000.

3. Defibrillators

The use of Automatic External Defibrillators (AED) to treat cardiac arrest victims has increased drastically over the past few years. It is not uncommon to find these highly beneficial medical devices in shopping malls, police cars and aboard airplanes. AED use among beach patrols has also increased as many of the larger beach patrols, such as the County of Los Angeles and County of Honolulu, are now using them. Beach patrols in New Jersey utilizing them are Ocean City, Atlantic City and Long Beach Township. Very little training is needed to operate the AED as the device is capable of determining whether the patient requires treatment without any intervention by the operator. Even maintenance of the unit is minimal, requiring an occasional battery replacement. Cape May Beach Patrol has requested the purchase of one AED that will be kept in the beach patrol's four-wheel drive vehicle. Oftentimes with beachfront medical emergencies, the beach patrol is the first responder on the scene. The job of the beach patrol in handling medical emergencies is to assess the problem and if possible stabilize the patient until the arrival of the local fire department. Having the AED readily available will enhance the response of the beach patrol in handling any cardiac medical emergencies on the beach. The single most important factor in survival of either cardiac arrest or ventricular fibrillation victims is the time from collapse to actual defibrillation. Even with CPR, few will survive if the delay is greater than 16 minutes in receiving defibrillation. Summer traffic conditions potentially could impose a considerable delay on the fire department in reaching victims actually located on the beach, resulting in dire consequences for the victim. The team recommends the purchase of one automatic external defibrillator for an estimated cost of \$3,500.

The team commends the beach patrol for distributing an operations and procedures manual. Prior to the beach season, it is recommended that the beach patrols review the manual and prepare appropriate updates and necessary changes so that the manual properly reflects actual operations.

The team commends the beach patrol for monitoring weather conditions and clearing the beach when severe weather is approaching. Steps that can be taken to improve this beneficial program included extending the beachfront public address system west to the cove beach area. Furthermore, the beach patrol should make arrangements with Cape May County Emergency Management so those weather updates can be sent directly to beach patrol headquarters. Not only will this be helpful with severe weather, it will be useful with advising and reporting of rough surf conditions.

Recommendations:

As previously stated, the team endorses the recommendation of the beach patrol captain to extend the beachfront public address system to the Cove Beach area. This will help enhance the ability of the patrol to quickly clear the beach in severe weather, but also will greatly improvement public announcements coverage concerning lost and missing children.

Value Added Expense: \$3,500

The team recommends the replacement of the existing beach patrol communication system. The existing system is approximately 10 years old and has simply reached the end of its useful life. According to fixed asset records, the beach patrol currently has 30 portable radios. The captain recommends the purchase of 10 new portable radios for the year 2000 at a cost of \$5,000 and continued purchase in the subsequent years for the additional 20 radios for a total cost of approximately \$15,000.

One-time Value Added Expense: \$5,000

The team is recommending the purchase of one Automatic External Defibrillator (AED) for the beach patrol. In many medical emergencies on the beach, the patrol is the first responder on the scene. The primary objective of the beach patrol in handling medical emergencies is to attempt to assess the problem and if possible, stabilize the patient until the arrival of the fire department. With the majority of cardiac arrest or ventricular fibrillation patients surviving if defibrillation is achieved in less than three minutes, the purchase of this unit can only enhance the ability of the patrol to handle medical emergencies on the beach.

One-time Value Added Expense: \$3,500

Facilities and Equipment

The beach patrol is stationed in a beachfront building located at the intersection of Beach Drive and Grant Avenue. This two-story wood frame building consisting of approximately 2,000 square feet was constructed in 1988. According to city officials, the cost of building this structure was paid for by the proceeds from the sale of a special beach tag called the "Century Tag." This tag was sold prior to construction and was valid until the end of the summer of 1999. No bonded indebtedness was incurred by the city as a result of this unique funding mechanism.

Originally designed to accommodate the beach patrol operation, it is currently being used by both beach patrol and beach tag operations. Several years ago, city officials moved the beach tag operation from Convention Hall to Beach Patrol Headquarters. As a result, the beach tag operation now occupies a room that was used by the beach patrol to provide first aid services to bathers. The space currently used by the beach tag operation is insufficient in size and inappropriate for its use as a revenue collection location. The team also has some serious security concerns regarding this location. Issues regarding the beach tag operation, including space needs and related safety concerns, are addressed in detail in the beach tag section of this report. However, the team cannot overly stress the importance to the city to thoroughly examine and satisfactorily resolve these outstanding space and safety concerns prior to the summer of 2000.

The beach patrol captain has proposed that the beach tag program be moved out of the beach patrol building and the empty space utilized once again for first aid services. Also, this will increase space dedicated for locker room for the 70-member beach patrol that consists of both male and female lifeguards.

Based on motorized vehicle inventory records provided to the team by the city, the beach patrol is allocated the following equipment:

- one 1998 Chevrolet Blazer – 4-wheel drive;
- one 1987 Dodge Ramcharger – 4-wheel drive;
- one 1992 Avon boat with a Johnson 40hp outboard engine; and
- five hitched trailers used to transport boats and stands.

Also, the beach patrol has 20 wooden or fiberglass surf rescue boats in good to excellent condition, and about 25 wooden lifeguard stands in poor to fair condition. In the year 2000 capital budget, there appears to be funds allocated for the purchase on a new surfboat at a cost of \$7,000. The captain clearly indicated during the interview process that the beach patrol does not need any additional surfboats, and the 1999 purchase of a new surfboat was unnecessary. The captain should communicate this fact directly to the mayor and the purchasing agent. In fact, the team recommends that these capital funds be reallocated to help in the purchase of new portable radios and automatic external defibrillator requested by the captain in the year 2000 capital budget.

As previously indicated, the captain has made three capital requests for the year 2000. These requests were covered in detail under the operations section of the beach patrol report. However, to summarize, the team recommends the purchase of 10 new portable radios, the extension of the public address system to the cove beach area, and the acquisition of one AED. Total capital cost for these three items is \$10,000.

Maintenance and repair of the beach patrol equipment is scheduled during the winter season. The team received conflicting information regarding who was responsible for repairing and maintaining beach patrol equipment. The team observed that many of the existing wooden lifeguard stands were unsatisfactorily maintained. Several layers of paint, bent and protruding nails, and lumber in questionable condition were some of the deficiencies noted by the team. Consideration should be given to replacing the existing lifeguard stands by utilizing city staff. Additionally, the beach patrol should investigate the possibility of modifying the design of the stand to provide protection from the sun and space for notices.

Recommendations:

The team recommends that the beach tag operation be moved out of the beach patrol headquarters and is relocated in the convention hall area. This will allow the beach patrol to utilize this room as a first aid station for bathers, in addition to expanding the existing locker room area for the female members of the beach patrol.

The team recommends that the city not purchase any additional fiberglass surf rescue boats and instead utilize those funds to acquire new communication equipment and an AED for the beach patrol. With a planned capital expenditure of \$7,000 for the boat, the city would need only \$3,000 more in capital funding to acquire all capital items requested by the captain for the year 2000.

It is recommended that the city consider replacing existing lifeguard stands. The team feels that this work can be performed with city staff, and a phased approach over a two-year period can be used to accomplish this task. Also, the city should strongly consider

modifying the design of the stand to include a roof and sides. The roof would afford protection from the sun while the addition of sides would allow space to post various safety notices. Atlantic City and Ocean City both have this type of stand and are satisfied with its performance.

One-time Value Added Expense: \$5,000

BEACH TAG OPERATION

Overview

In 1977, the city instituted a beach tag program, requiring the purchase of a beach tag in order to gain access to the beach during the summer season. Since its inception, the city has collected over 10 million dollars in beach tag revenue. With one notable exception that occurred in the mid-1980's, all revenue generated from the sale of beach tags is placed into the city's general fund account. Beach tag sales represent the single largest miscellaneous revenue source for the city, accounting for approximately ten percent of the municipal budget. To collect, manage and control these funds, the city hires roughly 75 seasonal employees during the summer to staff the two and one half miles of beaches.

In Cape May, the beach tag season generally starts on the Saturday of the Memorial Day holiday weekend and concludes the second Sunday in September. The beach tag season lasts approximately 110 days and coincides with the time period in which beaches are protected and cleaned. Tags are needed between the hours of 10:00 a.m. and 5:00 p.m., seven days a week. Four different types of beach tags are offered by the city. Daily, three-day, weekly and seasonal tags are sold by the city. These tags range in price from \$4 for a daily tag to \$16 for a seasonal tag. Details concerning tag prices are discussed later in this report. It should be noted that the city also sells a decade tag, however, special arrangements must be made to acquire this tag, as it cannot be purchased from staff assigned to the beach.

Beach tag fees are the city's second largest source of revenue. The following sections recommend many value-added purchases and improvements in management practices. Although immediate savings or revenue enhancements are difficult to quantify, the team believes that these recommendations will provide the city with a more efficient and accountable beach tag program. Additionally, these recommendations will furnish the city with sufficient analytical tools to effectively plan and evaluate its beach tag operations to maximize revenue.

Organization

A table of organization was not available for the beach tag operation, however, based on interviews and review of municipal records, the team was able to understand the workings of the organization. A director of beach tag operations manages the beach tag program.

The beach tag director is responsible for all aspects of the operation and reports directly to the mayor. In 1999, the beach tag program sold over 111,000 beach tags and generated approximately \$920,000 in revenue. To assist the director in the beach tag operation, approximately 55 seasonal employees are hired. The vast majority of these individuals are assigned to the beach to perform inspection duties at 31 beach access locations.

Based on a review of payroll records along with information obtained from interviews, the beach tag director along with an additional employee usually start work around the last week in March selling preseason beach tags at city hall and convention hall. Weather permitting, they will sell tags seven days a week. A review of the daily transmittal sheets of the beach tag operation indicated that on some days, well over 300 beach tags were sold. In addition to selling tags, the two individuals will start to prepare the operation for the summer season. Preparation work includes screening employment applications, conducting job interviews, and counting and organizing beach tags as they are delivered from the manufacturer. An item of concern with respect to the beach tags is that none of the tags are numbered. The pre-numbering of beach tags is a fundamental internal control measure that should be used to control and protect the tags from theft and misuse. It is of paramount importance for the city to immediately commence with the numbering of all beach tags.

Recommendation:

The team recommends that the city strongly consider numbering beach tags in order to achieve a greater degree of internal control. Additional cost might be incurred as a result of adding sequential numbers to the beach tags, however, the team feels that the accountability realized from implementing this internal control measure will greatly outweigh any additional cost.

Value Added Expense: \$1,000

Beginning on the Saturday of Memorial Day weekend, beach tags are required to gain admittance to the beach. To accommodate the influx of visitors to the beach on this popular holiday weekend, staffing of the beach tag operation increases to approximately 45 employees. A review of the financial records indicates that if favorable weather conditions prevail, revenue in excess of \$30,000 can be realized during this extended holiday weekend. This crew of 45 employees will only work weekends from Memorial Day to mid-June. It appears that for the first half of June, the beach is staffed only on weekends. During the week, only two or three employees are selling tags at the stationary beach tag booths located along the promenade.

Daily staffing of the beach does not occur until the third week in June. By then, the beach tag operation has approximately 55 individuals on payroll and is averaging 35 employees working per day. Reviewing payroll and financial records, the beach tag operation is fully mobilized by the last week in June and remains at that level until the third week in August. This eight-week period is considered to be the height of the season along the New Jersey coast and the busiest beach days usually occur during this time period. Weekend beach crowds in July and August represent some of the largest of the summer season and in Cape May can approach 50,000. In addition, the fourth of July holiday falls in this period and historically this holiday brings the biggest crowds to the Jersey shore. As an example, over the three-day fourth of July holiday weekend in 1999, Cape May raised \$53,708 in beach tag revenue by selling over 7,000 beach tags. In just three days, Cape May generated close to six percent of the total annual beach tag revenue for 1999.

On a typical day during the height of the season, the beach tag operation will have roughly 38 individuals working daily. Organizationally, this will include the director and a deputy director

responsible for personnel on the beach. The role of the deputy director is discussed at length later in this narrative. Assisting the deputy director with field supervision of the beach staff are five supervisors. These supervisors are assigned an appropriate number of beach inspectors for the day. Normally, the supervisor's span of control would not exceed 10 inspectors. These supervisors are responsible for insuring that all beach inspectors are staffing their assigned beach access location and that they have sufficient cash and tags needed to sell beach tags. The supervisors will assist with the morning check-in procedure and the afternoon check-out process. Any problems or difficulties are first referred to the supervisors and if they are unable to resolve the matter, the assistant director is then contacted. If the need arises, the supervisors might staff a location on a temporary basis. Supervisors can also assist in transporting staff along the beachfront.

Communication System

Beach tag staff are given a change fund and a predetermined number of tags in the morning when they report for work at 9:30 a.m. Actual staffing of the beach starts at 10:00 a.m. The team was informed that beach staff experienced difficulty in communicating requests for additional change or tags to the supervisor. The existing communication system used by the beach tag operations is virtually nonexistent. At the time of observation, the beach tag operation only had three portable radios operational. The team considers the upgrading of the communication system for beach tag operation necessary and recommends it be accomplished prior to the summer of 2000. Beach tags should have their own communication channel along with enough portable radios for each employee assigned to the beach.

Reliable communication equipment is essential if management is to achieve required oversight and control of beach staff. Based on operational needs and public safety concerns, the team feels that each employee should be given a portable radio. A radio will allow timely communication of information and requests between employees that will enhance the effectiveness of the beach tag operation. Additionally, beach tag staff could use these portable radios to report beachfront emergencies and other situations that require a response from public safety officials. Also, personal protection is a factor that the city must consider with beach tag employees. At times, beach tag staff will be carrying large amounts of cash and a readily available radio might be extremely helpful in preventing or responding to an unfortunate incident involving beach tag personnel.

Recommendation:

The team recommends that the city acquire a new communication system for the beach tag operation. The team has researched communication technology and estimates that portable radios with multiple channels and a range of approximately two miles cost approximately \$75 per radio. The team has seen these radio prices as low as \$50 per radio, and the team believes the city can obtain a quantity discount on this purchase. It is recommended that the city acquire 40 portable radios for the beach tag program.

One-time Value Added Expense: \$3,000

Transportation

In addition, there also appears to be some transportation issues which hinder the ability of beach tag supervisory staff to respond timely to requests for assistance by personnel assigned to the beach. The beach tag operation is assigned two vehicles: a 1992 Chevrolet Caprice and a 1993 four-wheel drive jeep. Both these vehicles are older, high-mileage vehicles prone to numerous mechanical problems. According to beach tag management, the operation often has only one vehicle available.

Beach tag staff expressed difficulty in supervising personnel and handling their requests for assistance with only one vehicle. The team feels that an operation of this size warrants the commitment of two dependable vehicles at all times, with at least one of these vehicles being capable of four-wheel drive. Based on a review of the current municipal fleet, the team feels that this goal can be accomplished with existing city resources. Prior to the start of the summer season, it is important for the city to dedicate two reliable and dependable vehicles to the beach tag operation. These vehicles should be inspected and readied by public works mechanics before being allocated to beach tags. On bad weather days, public works mechanics should perform any preventative maintenance work needed on the vehicles in order to keep them in good working order.

Recommendations:

The team recommends that the city secure reliable transportation for the beach tag program with two well-maintained vehicles. The two vehicles used by the program are high-mileage vehicles and often breakdown. Based on a review of the city's municipal fleet, the team believes that this goal can be accomplished with existing city vehicles.

The city should consider the use of bicycles by the beach tag program. In particular, supervisors can use bicycles along the promenade section of the beachfront. Bicycles provide a very economic means of transportation along with operational advantages such as avoiding typical summer traffic congestion and the difficulty in finding a parking spot along the beachfront. In accordance with state statute, the city can utilize lost and stolen bicycles not claimed by owners.

Supervision

The team had an opportunity to observe the beach tag operation during the last two weeks in August and the Labor Day holiday weekend. The physical layout of the beachfront in Cape May limits the number of sites in which the public can gain access to the beach. There are 31 beach access points for public use. Staffing each access point insures that everyone going onto the beach has a beach tag. It was the observation of the team that this was not being accomplished. Overall, the team observed deficiencies regarding the level of supervision on the beach. Beach tag staff and city officials confirmed this impression.

On good weather days, the team observed many beach access points not staffed. Contributing to this staffing problem was the reduction in seasonal staffing levels that occur at the end of the season, in addition to the already described problems with communication and transportation. However, based on numerous observations and interviews, the team has significant concerns

regarding supervision of the remaining beach tag personnel assigned to the beach. These noted deficiencies must be resolved and corrected in order for the beach tag operation to realize its fullest potential and maximize revenue for the city. Critical to this issue is the position of an assistant director who is responsible and accountable for staff on the beach. The beach tag program had such a position, but due to budgetary reasons, it was eliminated from the organization late in August, 1999.

From 1996 to 1999, there was a position in the beach tag organization best described as a deputy or assistant director of beach tag operations. Since no written job description was located, it was difficult for the team to determine the job responsibilities of this position. The team had to rely on information obtained from interviews of city officials. There was confusion among the staff, even with the director, as to exactly what role this individual had in the program. At a minimum, staff seemed to agree that one of the major duties of this position was control and oversight of the staff assigned to the beach. Beyond that, there appeared to be no clear understanding of this position.

Even the director was unsure of this person's role and expressed concerns regarding work performance, but felt uncomfortable in questioning this individual. The team felt that the primary duty of this position should be management of personnel assigned to the beach. Any other duties that would distract from the handling of supervisory duties should be reassigned to another staff member. It has come to the attention of the team that this individual was utilized by the director to obtain change for the program from the bank or from businesses along the promenade when the bank was closed. Obtaining change is not a job that a manager should be doing. This time-consuming task had an adverse impact on the ability of this individual to supervise and control the beachfront. Replenishing change funds should be assigned to the individual who handles administrative work for the operation, not the person supervising line personnel.

At times, over 35 employees are working on the beach. In order for Cape May to operate a productive and efficient beach tag operation, there must be a constant management presence on the beach that insures all beach accesses are staffed with personnel that have proper resources (cash and tags) to sell beach tags. The team strongly feels that with adequate supervision and proper scheduling, except in extreme cases, there should be no reason why all beach accesses cannot be covered from 10:00 a.m. to 5:00 p.m.

Accountability of beach tag staff must also rest with the five beach supervisors. The assistant director must be able to rely on these individuals to provide field supervision of personnel assigned to the beach. The team had concerns regarding the effectiveness of these supervisors during the 1999 summer season. The previously discussed communication and transportation problems, coupled with the difficulties and eventual termination of the assistant director, adversely impacted their performance and hindered their ability to provide effective supervision. Regardless of these problems, the team felt there was an overall lack of managerial and supervisory presence on the beach, which allowed for the inconsistent coverage of beach access locations and the subsequent loss of revenue.

These five supervisors must constantly be on the beach checking on staff to insure coverage at all beach access locations. Also, a clear distinction must be made between supervision of line personnel and support staff. The assistant director should not be responsible for administrative oversight of support staff personnel. The primary duty of the assistant director and the line supervisors is control and oversight of the beachfront.

Recommendations:

The team recommends the city examine the existing table of organization of the beach tag program. Particular attention should be given to the establishment of an assistant director position that would be responsible for line personnel. This position would address the observed deficiencies, with enhanced oversight of staff assigned to the beach. In addition, the overall existing supervisory structure of the program should be evaluated to determine appropriate scope of control and command for all supervisors. A clear distinction should be made between supervision of administrative staff and supervision of personnel assigned to the beach.

The team recommends that the city prepare standard operating procedures for the beach tag program. This manual should detail the policies, procedures and financial practices for all beach tag staff. Incorporated in this manual should be financial internal controls and procedures employed by the program. This is discussed in greater detail in the financial section of this report.

Management

As stated earlier, the director reports directly to the mayor. As the chief executive officer, the mayor must handle simultaneously multiple priorities and maintain a demanding schedule. This places the mayor in a challenging position, as it is very difficult for the mayor to devote sufficient time to address the daily operational concerns of the beach tag operation.

Recommendation:

It is recommended that the director of the beach tag operation report directly to the treasurer/CMFO. The demanding schedule of the mayor prohibits him from making the needed commitment of time necessary to properly handle the beach tag operation. Since many of the concerns of the beach tag program are financial, the treasurer/CMFO will possess the necessary expertise to address the operational concerns of this revenue-generating program.

According to city ordinance, beach tags are required between the hours of 10:00 a.m. and 5:00 p.m. daily. The team observed that personnel were at their assigned posts by 10:00 a.m., but were leaving the beach at approximately 3:30 p.m. A review of payroll records confirmed this observation as beach tag staff were being paid until 4:00 p.m. The half hour difference between 3:30 p.m. and 4:00 p.m. was the time needed by staff to reconcile the day's beach tag sales back at the beach tag office. By departing the beach at 3:30 p.m., there is no doubt that beach tag revenue is being lost, however, it is very difficult for the team to determine the amount of lost revenue. The team acknowledges that usage of the beach diminishes in the late afternoon to a

point where it might not be financially advantageous to keep staff on the beach. The city needs to examine hours of operation for the beach tag program and if deemed appropriate, make necessary changes in hours of operation. The team believes that the ordinance regulating beach tag operations should reflect actual practice and be consistently applied.

Also, city ordinance states that the city council on an annual basis shall designate by resolution, the beach tag season. This resolution would include the dates and hours of operation. The team was unable to locate such a resolution for 1998 and 1999. For 2000, the team encourages the city to adopt a resolution, which establishes the beach tag season, the hours of operation, and the cost of all beach tags. Furthermore, the beach tag prices should be incorporated into the annual municipal fee ordinance adopted by city council every spring.

Recommendations:

The team recommends that the city review the current hours in which beach tags are required. Under current ordinance, beach tags are needed between the hours of 10:00 a.m. and 5:00 p.m. A review of payroll indicated that beach staff are departing the beach at roughly 3:30 p.m. and finishing work at 4:00 p.m. The city should decide to either staff beaches to 5:00 p.m. or revise the hours that beach tags are needed to reflect actual practice.

According to current ordinance, the governing body on an annual basis must adopt a resolution, which stipulates the beach tag season and hours of operation. The team was unable to locate such a resolution. The team recommends that on an annual basis, city council approve an ordinance that establishes the beach tag season, hours of operation, and unit prices for all beach tags. Also, the unit prices for all beach tags should be incorporated into the annual municipal fee ordinance that the city adopts every spring.

Financial

As previously stated, the city generated over 10 million dollars in beach tag revenue since 1977. However, in order to establish useful trends and relevant future projections for this important source of revenue, the past five years of beach tag financial history will be examined. Presented below are revenue figures from 1995 to 1999.

Year	Realized Revenue
1995	\$615,915
1996	\$722,571
1997	\$819,142
1998	\$946,276
1999	(Projected) \$920,000

Since 1995, the city realized a 50% increase in revenue from the beach tag program. Based on an examination of financial records along with interviews of city officials, the team was able to identify the following factors, which contributed to such a significant revenue increase:

Increase in the Number of Beach Tags Sold

The city has witnessed a steady growth in the number of beach tags sold over the past five years. In 1995, a total of 84,432 were sold compared with 111,751 during the 1999 season. In 1999, the city offered four different types of tags, which included the seasonal, weekly, three-day, and the daily. The three-day tag was created in 1997 in response to need expressed by the business community. A beach tag with duration of three days is unusual, but the team found that it is successful in Cape May. In addition, the city has offered the sale of beach tags during the holiday season. This provides a unique gift opportunity along with generating additional cash flow during the off season.

The city should be commended for responding to a marketing opportunity by creating a three-day beach tag. It has proven to be a very successful program for Cape May.

Recommendation:

The city should continue to seek innovative ways to generate additional revenue from the beach tag program. Offering the sale of beach tags during the holiday season enhances cash flow for the city during the usually difficult first quarter. Another possible innovative program, which might yield additional revenue, is the sale of beach tags over the Internet which is discussed in a future section of this report.

Increase in the Unit Cost of Beach Tags

Every year during the municipal budget process, a review of the beach tag program is conducted. Part of this review is determining the price of beach tags for the coming year. As in most beach communities, the price of beach tags has risen steadily over the past five years. On average, the city has increased the price of beach tags by 16% since 1995. Detailed analysis of the individual unit price of each beach tag over the past five years is presented below.

Beach Tag	1995	1996	1997	1998	1999
Seasonal (Preseason)	\$11	\$12	\$12	\$12	\$13
Seasonal (In Season)	\$15	\$15	\$15	\$15	\$16
Weekly	\$9	\$9	\$9	\$10	\$10
Three Day	N/A	N/A	\$6	\$6	\$7
Daily	\$4	\$3	\$4	\$4	\$4

Increasing costs of maintaining and staffing the beachfront are the rationale for the escalation of beach tag prices over the past five years. As previously stated, the CFO/treasurer performs a cost analysis of the beachfront operation.

Recommendation:

It is important for the city to maintain reasonable and competitive beach tag prices. It is equally as important for the city to comply with the Slocum vs. the Borough of Belmar decision when determining the cost of beachfront operations. Consistent with the ruling, beach tag revenue should be used to cover the cost of valid beachfront operations and not used to balance the municipal budget. Additionally, the city should on an annual basis

survey other coastal communities, especially those in Cape May County, to determine if the city's beach tag prices are comparable and within an acceptable range.

Hiring Additional Staff

A review of the beach tag documents along with related payroll records indicates a slight increase in the number of seasonal workers employed by the beach tag program. In 1995, an average of 32 individuals worked on any given day during the height of the beach tag season. A comparison of this same time period during 1999 indicated an average of 38 employees working during July and August. Having sufficient staff readily available everyday is critical if the city is to operate an effective operation that maximizes revenue. As a result of beach replenishment, new beaches are now available for use. This requires the management to be constantly assessing beach usage and adjusting staffing to reflect actual usage.

Recommendation:

The team recommends that the beach tag program take the necessary action required to recruit and employ sufficient numbers of seasonal employees needed to properly and consistently staff the 31 beach accesses during the prescribed times for beach tags. This should include hiring sufficient staffing levels needed to cover all scheduling requirements.

Expanded Beach Tag Season

The city has one of the longest beach tag seasons along the New Jersey coast. Most coastal communities do not start requiring beach tags until at least the second week in June and end the season Labor Day weekend. In Cape May, the season starts Memorial Day weekend and concludes the second weekend in September. By extending the season, the city realizes revenue from the historically busy Memorial Day holiday weekend, which in 1999 generated over \$30,000. Also, with nice weather, weekends in September can be extremely busy and crowded. In 1999, the city produced over \$5,000 in beach tag sales the second weekend in September. It should be noted that beaches are protected and cleaned daily, even during the extended beach tag season.

Recommendation:

The team feels that the extension of the beach tag season is justifiable since beaches are protected and cleaned daily during this time period. It is very important for the city to provide these beach-related services while charging the public for beach use. The team would not support a position where beach tags are required, but beaches are not protected or maintained.

Limiting the Number of Public Beach Access Points

During 1995 and 1996, in conjunction with the ongoing beach replenishment program, the city established a dune line along almost the entire length of the beachfront. The primary objective behind creating these dunes was to provide protection during storm events. However, a beneficial consequence of this work was limiting access to the beach. After completion of this work, access to the beach could be gained only through one of 30 access points along the beachfront. This made the task of regulating the beachfront much easier as it greatly reduced the

need to sweep the beach. Now instead of sweeping the beach and disturbing patrons relaxing on the beach, the city can staff each access point with personnel. This reflects a much more effective way of insuring compliance with the beach tag regulations.

Recommendation:

The team recommends that the beach tag program take the necessary steps to insure all beach access points are staffed with personnel. Since beach usage is constantly fluctuating, it is important for beach tag management to be vigilant in assessment of beach use and quickly adjust staff according to actual beach usage and related weather conditions.

Innovative Sales Programs for Beach Tags

As previously indicated, the city has done well in recognizing the need to be innovative in the area of beach tag sales. Acknowledging the request from the community, the city established a three-day beach tag, which has proven to be highly successful. Also, the city created a decade beach tag, which allowed the city to accelerate the realization of revenue. The city allows the Mid Atlantic Center for the Arts to sell beach tags at the tour bus/information booth located on the Washington Mall. In addition, the city has instituted a program, which offers seasonal beach tags at a discount preseason rate during the holiday season (December). Consideration should be given to the development of a commercial beach tag. A commercial beach tag would be allowed to be transferred to different parties during the season. Usually, this type of beach tag is purchased by hotel/motels and other lodging establishes for their customers. The price of a commercial beach tag should be slightly higher than the cost of a regular beach tag because of its transferability feature. Enforcement of a commercial beach tag could initially be challenging, however, it can be accomplished with good recordkeeping and monitoring of businesses purchasing beach tags.

Recommendations:

The city should be commended for its efforts in developing innovative beach tag program sales programs, however, it is important for the city to continue to actively pursue all viable avenues that will enhance beach tags sales. One area deserving of attention is the possibility of selling beach tags over the Internet. Also, consideration should be given to the use of credit cards for payment of beach tags at the stationary beach tag sites located at city hall and the convention center.

The team recommends that the city explore the feasibility of establishing a commercial beach tag. Though difficult to ascertain, the team feels that the city would experience an increase in beach tag revenues as a result of the establishment of this type of beach tag.

Record Keeping

As previously indicated, there is no formal reporting procedures for beach tag operations. In addition, there is no annual report that summarizes revenues, highlights work activities and provides recommendations for future improvements. The beach tag program does generate a weekly spreadsheet, which compares current year sales versus last year sales. This document is given to city council for their review. However, the team noticed whenever there was any

discussion of beach tags, oftentimes the focus would be concentrated solely upon total revenue. While this value is important, there is other relevant financial information that appears to be ignored, but can be useful in making some operational staffing decisions. There appears to be a lack of any detailed financial analysis or development of sales trends and patterns of the city's largest miscellaneous revenue generating program. Surprisingly, beach tag staff could not answer with any degree of certainty or provide any financial data to support verbal responses to the following questions:

1. What are the five most active beach access locations?
2. What is the busiest day of the week for the beach tag program?
3. What is the average daily beach tag sales amount?
4. What percentage of total beach tag sales occurs on weekends?
5. What percentage of total beach tag sales occurs during July and August?
6. Has preseason beach tag sales been increasing?

The team considers the above information to be vital in managing a beachfront operation of the scale of the city. Furthermore, since weather has such a significant impact on beach tag operations, the program should also maintain basic weather records. It is important to know how many "bad weather" days occur in each year in order to develop fair financial comparisons. A decrease in beach tag revenue may be the result of inclement weather and not because of deficiencies in the operation.

Recommendation:

The team recommends that a formal reporting system be developed for the beach tag operation. Assistance and guidance should be obtained from the finance office in establishing this program. Information produced from this reporting system could be utilized for both internal and external decision making purposes. It is important that this reporting system be capable of generating relevant financial data in a timely fashion.

Internal Controls

A review of the financial records for the beach tag program indicated some minor breaches of accounting internal controls. These minor deviations are to be expected in a program of this size and scope and did not alarm the team. It should be noted that it was difficult for the team to fully evaluate the effectiveness of the internal controls since none of the beach tags are numbered. It has been previously stated that there is a need to immediately start numbering all beach tags issued by the city. This is needed in order to properly and fairly assess the effectiveness of the internal control of the beach tag program.

During this review, the team detected a pattern with the handling of some funds that required further investigation. Based on a detailed review of the cash deposits, it appears that revenue generated on a Friday was held over the weekend and deposited late on Monday or early Tuesday, while monies earned on Saturday and Sunday were deposited over the weekend by night deposit. At first, the team thought that the beach tag program was utilizing Friday's receipts as a change fund for the weekend. However, upon questioning of beach tag management and staff from the finance/tax collector's office, nobody was aware of this practice.

During interviews, it was also discovered that there was very little review of beach tag deposits by the finance/tax collector's office. Essentially, all the finance office did with beach tag revenue was post the deposits to the general fund account and file the information accordingly. The finance/tax collector's office did not actively review deposits and related daily reports prepared by the beach tag program to insure accuracy, adherence to internal controls and compliance with state statute. In fact, the team discovered that the finance/tax collector's office did not receive the daily transmittals, which reconciled the daily beach tag sales. This detailed financial information was found in the city clerk's office. It should be noted that the beach tag operation was responsible for insuring the funds were deposited directly into the bank. Most of the time, they utilized a night deposit box for depositing the beach tags funds in the bank.

The tax collector's office is responsible for the handling and recording of most of the city's miscellaneous revenues. At the time of the review, the team was unable to locate any adopted or approved manual of financial internal controls to be used by the city's revenue generating operations. Also, as previously stated, the tax collector's office did not review deposit slips and related documentation submitted by municipal offices collecting revenue. The team strongly recommends that the tax collector's office become more active in monitoring financial activities of revenue generating city offices. This would include reviewing deposits and related documentation, performing internal audits to insure compliance with sound financial practices, and making recommendations for improvements in the way the city collects and handles funds.

During the course of the review, the tax collector also assumed the duties of the treasurer/CMFO. This combined position will enhance the ability of the city to implement needed improvements to revenue generating operations like the beach tag program. As a result of this recent position consolidation, the city should explore the feasibility of formally creating a centralized revenue collection office whose primary responsibility is control and oversight of all municipal revenue collection. With one office solely accountable for all revenue-related work, it would be easier for the city to establish uniform financial controls that will be universally applied and constantly monitored for compliance.

Recommendations:

The team recommends that the city centralize its revenue collection activities. This would require the city to officially assign revenue collection responsibilities to the tax collector's office. Responsibilities associated with this work would include financial oversight of all city offices involved in revenue collection. The office would conduct reviews of existing financial internal controls, check daily transmittals and deposits, and perform internal audits. Any recommendations for improvements made by this office in handling funds should be binding. It is important for this office to have the authority and ability to implement recommended changes. Individual offices could continue depositing their funds directly into the bank if they comply with financial internal controls established by the revenue collection office. However, all documentation accompanying the deposit would have to be furnished to the revenue collection office for their review and files. Additional seasonal personnel might have to be hired in order to handle the summer revenues.

The team recommends that the city develop a financial internal control manual. The treasurer/CMFO should be assigned the responsibility of creating this manual. Assistance could be obtained from the municipal independent auditor, in addition to obtaining manuals from other communities. This manual would include policies and procedures for the proper handling of funds generated from city operations. It is important for the city to establish procedures that will assist in safeguarding the city's assets.

The team recommends an evaluation be performed to determine if the existing change fund of \$6,000 is sufficient. It is important for the program to have access to an adequate change fund and if deemed necessary by the evaluation, an increase in the change fund should be permitted.

Facilities and Equipment

The beach tag operation is stationed in a beachfront building located at the intersection of Beach Drive and Grant Avenue. This two-story wood frame building consisting of approximately 2,000 square feet was constructed in 1988. According to city officials, the cost of building this structure was paid for by the proceeds from the sale of a special beach tag called the "Century Tag." This tag was sold prior to construction and was valid until the end of the summer of 1999; no bonded indebtedness was incurred by the city as a result of this unique funding mechanism.

Originally designed to accommodate the beach patrol, the beach tag program was moved into this building several years ago. Currently, the beach tag operation occupies an office space that previously served as the first aid room for the beach patrol. This office is approximately 400 square feet in size. This is where all the beach tag staff assemble for morning assignments and gather to reconcile at the end of the day. The room is equipped with a desk, a few small tables and approximately 10 chairs. There is also a small closet in this room, which provides an area for the safe and the storage of beach tags. The team feels that this room is grossly undersized and ill-equipped to handle an operation the size and scope of the beach tag program. In addition to the inadequacies of the room, the team also has serious security concerns that should be addressed before the 2000 summer season. Some of the more significant items that the team would like to highlight concerning the beach tag office are presented below:

Size of the Room

The room is too small to accommodate a staff of 40 employees. The team observed the "check out" or reconciliation process that each staff member must complete on a daily basis. This process requires a certain amount of concentration on the part of the staff member, in addition to some space needed to count money and tags. What the team observed was cramped, noisy conditions totally inappropriate for an operation that generates over \$900,000 per year. There was insufficient space and basic office furnishings for staff to accomplish their work. The room was very noisy, making it difficult to focus on work or to have a discussion with a fellow employee. This room and its surroundings are not very conducive for detailed-oriented financial work required of the beach tag operation.

Office Equipment

Besides the inadequate amount of office space allocated to beach tags, basic office furnishings and equipment are also lacking. For an operation that employs 55 individuals, sells over

111,000 tags and collects well in excess of \$900,000, there is very little in the way of tables, chairs, shelving, adding machines and related office supplies for staff use. The team recommends that the city acquire a sufficient number of tables and chairs suitable for office type work, in addition to adding machines and calculators. The team considers these office-related items to be basic requirements needed for properly organized administrative functions.

Security

The greatest concern to the team was the lack of security at the beach tag office. All cash generated from the sale of beach tags is counted and prepared for deposit at the beach tag office. This requires the handling of large sums of money in the office. However, the public has direct and unabated access to this office and there is no physical barrier between the desk in which monies are counted and members of the general public. The team strongly feels this is an unacceptable and dangerous exposure of beach tag staff to potential theft and robbery of municipal funds. Access to the area in which employees handle funds should be restricted and physically separated from the general public.

Arrangements should be made to relocate the beach tag operation for the 2000 summer season. The team concurs with the recommendation of the beach patrol captain to move the beach tag operation out of the beach patrol building and to a site around convention hall. Two desirable objectives will be realized with this move. Firstly, the beach tag operation will leave a location that is unsuitable and inappropriate for a revenue-based function. Secondly, the relocation will allow the beach patrol to fully utilize the room as a beachfront first aid station. The team agrees with the beach patrol captain that the city should have a first aid station located in beach patrol headquarters. Most beach patrols along the coast of New Jersey offer basic first aid services and have an appropriate facility capable of rendering these services.

However, this leaves the beach tag operation without an office for the summer of 2000. City officials have discussed constructing an addition onto the Convention Center. This addition would include retail outlets along with sufficient space for the beach tag operation. Though the team supports this endeavor, it also realizes that it will not be completed prior to the summer season. During the interim, the team recommends consideration be given to siting a mobile office trailer at an acceptable location along the beachfront. The best possible spot for this trailer would be in the vicinity of Convention Hall. The team acknowledges the potential difficulty that could be encountered with residents and business owners by placing a trailer along the beach. However, the team feels it is critical to the success of the operation that the beach tag office be located on the beachfront. It should be stressed that the trailer would only be on site for a four-month period and the city could enhance the appearance of the trailer by creating some landscaping schemes around the trailer. The minimum size of this trailer should be 10'x35'. Also, the city would have to furnish electric and water service to the trailer, along with installing a basic security system.

As previously stated, the beach tag operation sells in excess of 110,000 beach tags which generates over \$900,000 per year, and with the exception of a weekly spreadsheet, all administrative and accounting work is performed manually. A review of the financial records indicates that the daily transmittal or summary sales sheets are manually prepared, along with attendance and payroll records. The team was concerned that the beach tag program did not

utilize computers in its daily operation. An operation of this size and scope is deserving of a computer system. With assistance and guidance of the treasurer/CMFO, the beach tag program should acquire appropriate computer hardware along with an acceptable financial software package. Integrating information technology into this operation will greatly improve their ability in maintaining accounting records and forecasting sales patterns and trends, which will provide beneficial insight into staffing requirements.

As previously indicated and discussed in this report, the team has concerns regarding the communication and transportation systems utilized by the beach tag program. Overall, the team feels significant upgrades and improvements are needed in these areas to provide management with the necessary tools to manage this operation. Without access to the necessary resources, management will be limited in its ability to supervise and control personnel engaged in the beach tag operation.

Recommendations:

The team recommends that the beach tag operation vacate its current office space located in the beach patrol building and move to a new location around Convention Hall. The team does support the proposed construction of an addition consisting of retail outlets and office space onto Convention Hall. Realistically, this work will not be completed in time for the summer of 2000. During the interim, the team recommends the city rent a mobile office trailer for the beach tag operation. This trailer could be rented for a four-month period (mid-May through mid-September) and placed strategically along the beachfront in the vicinity of the Convention Center. The city would have to make the necessary arrangements to furnish water and electricity to the trailer, in addition to some site preparation work. Also, the city might want to perform some site beautification work to enhance the appearance of the trailer. It is recommended that the city rent a trailer with minimum dimensions of 10'x35'. The trailer should be equipped with a security system.

One-time Value Added Expense: \$11,000

It is recommended that the city obtain needed office furniture and equipment for the beach tag operation. This would include an adequate number of tables and chairs, in addition to adding machines and calculators required for reconciliation of daily beach tag sales.

One-time Value Added Expense: \$2,000

The team recommends that the city take the necessary steps needed to incorporate information technology into the beach tag operation. An operation of this size is deserving of a computer system that will enhance its ability in maintaining accounting records and generating relevant financial reports in a timely manner. Also, useful sales trends could be developed which would be helpful in determining staffing levels on the beach. The treasurer/CMFO should be directly involved with developing a suitable computer system for the beach tag operation.

One-time Value Added Expense: \$2,500

As previously recommended, the city should acquire a new communication system for the beach tag operation. This would consist of a portable radio for every staff member in addition to an acceptable number of backup radios.

As previously recommended, the city should secure reliable and dependable means of transportation for the beach tag operation. This would include two vehicles in good working order, capable of meeting the demands of a seasonal operation.

NURSING

Organization

The city provides community nursing services for its residents. From 1994-1998, the scope and availability of service has been substantially diminished. The present program offers blood pressure screening and counseling service two days a week at city hall on Monday and Thursday from 12:00 noon until 2:00 p.m. This service is also available at Victorian Towers, for those unable to go city hall, on the first Monday of the month from 11:30 a.m. until 12:00 noon. Home visits are also available with a nominal charge of \$3 per visit. A patient may only be seen one time without a physician's approval. In 1998, there were four home visits. Primarily senior citizens and city employees use the screening service.

The following is a summary of the activity of the service over the last five years:

Year	Patient Contacts	Home Visits	Blood Pressure Screenings
1994	2,989	118	2,871
1995	2,655	97	2,558
1996	2,109	82	2,027
1997	1,747	69	1,678
1998	1,795	4	1,791

Financial

The cost of the nursing service for this part-time employee in 1998 was \$5,377 for salary and wages and \$542 for other expenses. The amount budgeted for 1999 is \$6,527 for salary and wages and \$695 for other expenses.

Recommendation:

It is recommended that the city terminate this program. While this program is most beneficial to the senior citizens and city employees who are screened, there has been a substantial decline in participation in recent years. Further, this service is offered through the county health department as part of their normal scope of services. It is recommended that the city and Victorian Towers collectively contact the county to establish a screening service in Cape May as part of the county's ongoing health services.

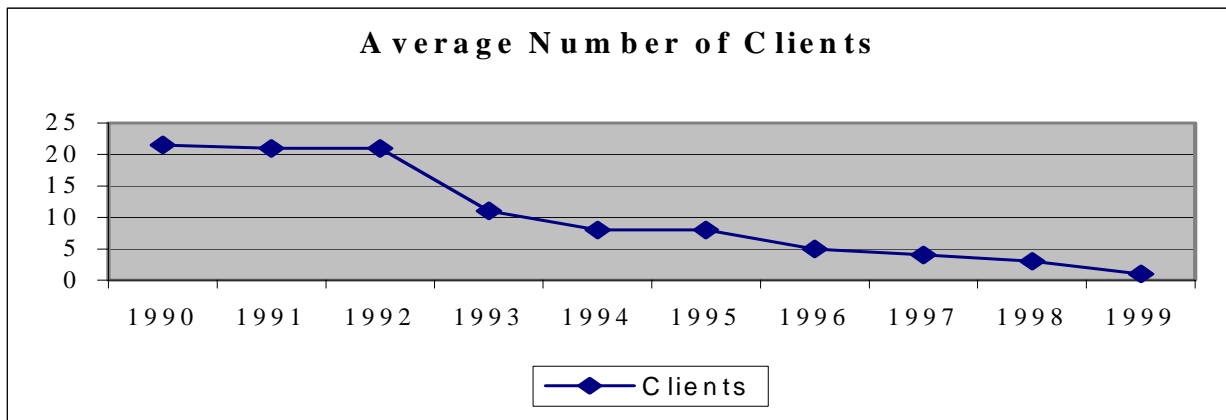
Cost Savings: \$7,222

WELFARE

Over the past 10 years, the city has experienced significant success in reducing its welfare caseload. Discussions with the city's welfare director indicate that much of the reduction can be attributed to aggressive case management and a strong economy. The director's position is part-time, and the employee's primary job title is administrative clerk in the water and sewer utility. In 1998, expenditures for the administration of public assistance amounted to \$6,073 for personnel costs and \$224 for other expenses.

Discussions with the director indicated a multifaceted approach to case management to motivate clients to enter the workforce. The city instituted workfare to maintain an expectation among recipients that they would work for their benefits. Additionally, the director addressed the needs for better job skills by referring clients to job training and educational programs.

The following table illustrates the city's steady decline in workload:



In addition to general assistance, the director also coordinates with local charitable organizations to provide additional support to people in need. The director and the city are to be commended for the reduction in caseload.

Recommendation:

It is recommended the city transfer the welfare function to the county. The present workload of the department does not justify the city's level of expenditures. Additionally, the transfer of welfare to the county would provide consolidated social services for recipients through the provision of general assistance in conjunction with county and federal social services located in Rio Grande.

Cost Savings: \$6,297

III. COLLECTIVE BARGAINING ISSUES

Terms and conditions of employment for most of the city's workforce are governed through collective bargaining agreements. At the time of the review, the city had four collective bargaining agreements. In addition to the four existing agreements, the city's lifeguards recently won the right for representation and the city was negotiating an agreement with them. The city's contracts contain numerous provisions that are financially costly or restrict the city's ability to efficiently manage its workforce.

The team acknowledges the difficulties in changing contract provisions. Interest arbitration requirements for police and fire employees severely restrict the city's ability to remove cost-driving features of its collective bargaining agreements. The elimination of a provision of a collective bargaining agreement often results in a financial concession elsewhere in the contract. The cost savings achieved through contract negotiations are usually incremental and sometimes require consistently firm management positions over a series of contract negotiations.

Overtime

Public Works: The city's agreement covering public works and utility employees has a provision guarantying a minimum of four hours overtime for employees recalled to work. Typically, collective bargaining agreements reviewed by the team provide for a minimum two-hour guarantee for employees recalled to work.

The contract for blue collar employees also provides for a standard workweek consisting of 40 hours Monday to Friday with a set schedule of eight hours each day. Any time worked outside the posted hours in the contract are paid at the overtime rate. Additionally, employees receive double time payments for work performed on Sundays instead of the time and a half required by the federal Fair Labor Standards Act (FLSA).

Recommendations:

It is recommended the city renegotiate the provision setting a standard work week from Monday through Sunday to allow management the flexibility to schedule working days and hours of the week for its employees at straight time rates. This would provide the city with the flexibility to respond to seasonal workloads requiring seven-day coverage for public works activities.

It is also recommended the city eliminate double time provisions from its collective bargaining agreements.

The team's review of overtime records indicates that many higher classified employees are scheduled overtime for functions more appropriately suited for lower salaried employees. For example, the team found heavy equipment operators and carpenters performing trash collection and recycling duties at the overtime rate of their higher level positions rather than the level of salary commensurate for the task at hand. The following illustrates the costs associated with this practice:

Function	Hours	Cost	Average Cost Per Hour
Restroom Cleaning	684	\$9,832.05	\$14.38
Trash Collection	421	\$8,233.90	\$19.56
Recycle Pickup	85	\$2,093.38	\$24.70
Street Sweeping	273	\$6,867.02	\$25.16
Beach Cleaning	377	\$8,758.70	\$23.24
Band Concert	105	\$2,563.98	\$24.42
Special Events	5	\$158.30	\$31.66
Vehicle Maintenance	7	\$186.43	\$26.64
Work w/ Contractor	41	\$649.26	\$15.84
Street Emergency	7	\$139.29	\$19.90
Call Backs	60	\$1,287.16	\$21.46
Shade Tree	2	\$31.04	\$15.52
Paint City Hall	40	\$742.24	\$18.56
Concrete Work	1	\$12.34	\$12.34
Total	2,108	\$41,555.09	\$19.72

Recommendations:

It is recommended the city renegotiate the provision regarding overtime for public works employees to ensure that overtime rates correspond to the skill level required for the function.

It is further recommended the city consider hiring seasonal employees to work on weekends at straight time rates rather than overtime rates.

Potential Cost Savings: \$41,555

Sick Leave

Full-time municipal employees receive 15 days of sick leave each year. Proper accountability of sick leave usage is an important management tool in controlling personnel costs. Expended leave represents a loss of value to the city of the labor that would have otherwise been performed. In departments requiring minimum staffing levels, such as fire and police, overtime costs can increase as off-duty employees are recalled to fill vacancies created by sick leave.

Civilian Contracts: The team's review of sick leave indicated a wide range of usage among individuals and departments. The civilian contracts provide for written verification of illness after instances of either one period of illness totaling five days, or a cumulative 10 sick days during the course of the calendar year. Several employees routinely surpass 10 days each year. The team has established an acceptable benchmark of 6.5 from past reviews.

Fire Contract: The team's review of sick leave taken by fire employees in 1998 indicates that sick leave had generated a considerable portion of overtime expenditures made by the department. A review of payroll records and discussions with senior officials indicated a need to establish greater accountability in this area.

Another concern of the team is the allocation of sick leave to fire employees. The collective bargaining agreement provides firefighters with 15 sick days per year. Converted to hours, this amounts to 360 hours of potential lost time per year. In contrast, civilian employees having

eight-hour days with 15 sick days would create a potential 120 hours of lost time per year. Expressed as a percentage of the total working hours per year, a fire employee can miss a potential 12.36% of regularly scheduled work hours while a typical civilian worker would face a potential loss of 5.77% of regularly scheduled work hours.

Police Contract: The police contract contains provisions requiring greater accountability of employees on sick leave than any other contract. Contractual police employees are required to document their place of sick leave confinement and are subject to providing medical certification at a lower number of sick leave days than other collective bargaining units. Generally, sick leave usage in the police department was acceptable given the department's schedule. Police administration should be commended for its management of sick leave.

Recommendations:

It is recommended that the city negotiate more stringent provisions requiring written verification for sick leave absences for its civilian and fire contractual employees. The city should incorporate the sick leave provisions similar to the police contract requiring written verification for three consecutive sick days and six cumulative instances of sick leave.

For fire employees, it is further recommended the city negotiate to reduce the number of allocated sick leave hours to an amount commensurate with civilian employees. A reduction of sick leave hours from 360 to 120 hours per year would make firefighter sick leave commensurate with civilian employees.

Potential Cost Savings: \$66,048

Terminal Leave and Sick Leave Reimbursement

All bargaining units have provisions for payments of accrued sick leave upon retirement. Generally, employees receive 50% pay for sick leave upon retirement with 25 or more years of service and 25% for less than 25 years of service. Each collective bargaining agreement provides caps whereby payments to retiring employees cannot exceed a negotiated limit.

The table below illustrates the maximum payments allowed by the city's collective bargaining agreement:

Police Benevolent Association, Local 59	\$10,000
United Auto Workers, Local 2327 (Public Works and Water)	\$12,000
United Auto Workers, Local 2327 (White Collar Clerical/Communications)	\$12,000

In addition to sick leave reimbursement, police employees have rather generous terminal leave provisions in their agreement. In the police contract, a retiring employee receives a terminal leave allocation of four days for every year of service. Using this formula, a retiring officer with 25 years of service will receive 100 days of terminal leave prior to retirement.

Fire employees have a similar terminal leave provision, however they are reimbursed 5.6 days of terminal leave for every year of service. This provision allows a firefighter with 25 years of

service to receive 140 days of terminal leave prior to retirement. Fire employees are also given the option to work until their retirement day and receive a lump sum payment in lieu of terminal leave.

Recommendation:

It is recommended the city negotiate to eliminate the terminal leave provisions from the police and fire contracts. For the firefighters, the city should replace terminal leave provision with a sick leave reimbursement provision similar to the other contracts.

The savings for the elimination of these terminal leave provisions vary depending upon the number of police and fire personnel retiring each year. Given the large number of senior employees in both departments, the savings should be substantial, ranging from \$20,000 - \$60,000 per year depending upon the number of employees retiring each year.

Potential Cost Savings: \$20,000

Longevity

Longevity provisions are present in all collective bargaining agreements. The city pays employees a range of 2 to 10 percent of their salary based upon their years of service. According to the city's personnel policy handbook, non-union employees hired after July 1, 1999 are not eligible. It is the position of LGBR that longevity is not a good business practice because the additional pay is not related to performance. Through its statewide reviews, LGBR has observed that many municipalities have renegotiated longevity provisions to reduce the long-term impact of these payments.

Recommendations:

It is recommended the city negotiate to eliminate or reduce the contract provisions mandating longevity payments to employees. Understanding that the collective bargaining process and interest arbitration often restrict the city's ability to completely eliminate this benefit, the team has devised the following options to reduce the financial impact of longevity payments:

- 1. Negotiate lump sum payments instead of the current practice of computing longevity by percentages of base salary. This option reduces the compounding effect of yearly percentage increases of base salary and progression through salary steps on the amount of longevity payments.**
- 2. Eliminate longevity payments for newly hired employees. This feature is increasingly found in contracts reviewed by LGBR and is the city's present policy for non-union employees.**

IV. STATUTORY & REGULATORY

The final section of the report, Statutory and Regulatory Reform, attempts to identify those areas where existing state regulations or statutory mandates are brought to the attention of the LGBR review team by local officials which appear to have an adverse effect on efficient and cost effective local operations. It is common for local officials to attribute high costs and increased taxes to “state mandates.” Each review team is then charged with reporting those areas in this section of the report. The findings summarized below will be reviewed by the appropriate state agency for the purpose of initiating constructive change at the state level.

Regional School District

City officials expressed concerns regarding the method of apportioning the tax levy for the regional school district. According to state statute, regional school levies are based upon the participating jurisdiction’s assessed valuation rather than the number of students enrolled. Discussions with staff indicated that although the city comprises approximately 33% of the regional district’s valuation, it provides only 11% of the student enrollment. City officials objected to this substantial discrepancy between the revenue provided by the city and its share of the actual educational costs as generated by student enrollment.

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